

THE Freeman

IDEAS ON LIBERTY

AUGUST 1961

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FRANCIS E. MAHAFFY

Africa, the sun-tanned giant is beginning to awake, to stretch herself, and to test her strength. It was not too many years ago that slave-trading vessels plied her wild and forbidding coasts to bind men in chains to be sold on the slave markets of the world. Since that time Africa has made vast steps forward. Her nations are emerging to take their place in the world. Literacy and education are increasing at a rapid pace. Many of her citizens have been trained in the leading universities of the world. Some outstanding leaders of strong character and of real ability have arisen. There is a growing Christian church in Africa and many deeply spiritual men. The land itself in many places is rich in natural resources, plentiful in rainfall, waiting for the hand of man

to use it for his progress at an accelerated rate.

The road ahead for emerging Africa appeared to be a smooth one. Gradual progress with an ever-increasing standard of living seemed almost certain. But one thing that Africa needed for progress was economic development. She lacked the capital to purchase and utilize the tools with which the progress and prosperity would seem almost inevitable. Africa has slowly been acquiring the technological knowledge and the tools for progress, but the pace has been far too slow to satisfy her restless spirit. If capital is to be obtained in anything like adequate amounts, there must be a large influx of foreign investments.

Before this capital investment can be forthcoming, a more basic need must be met. There must be confidence and the grounds for at least a good prospect on the part

The Reverend Mr. Mahaffy has served since 1945 as a missionary of the Orthodox Presbyterian Church in Eritrea, East Africa.

of the investors that they would receive an adequate return for their investments. In order to supply this a stable government is required. Private property must be respected and protected. The basic need is for simple honesty which alone instills faith and confidence for investors and workers. A basically honest government that rules, not by the caprice of men, but according to well-known and established rules that are in accord with the moral code, is essential to the free exchange of commerce and of ideas without which there can be little hope for peace or progress.

Retrogression in Africa

However, instead of the progress that was the fond dream and hope of many, the chains of a far deeper and more degrading slavery have been forged and are enveloping the darkening continent of Africa. Several major centers of communist activity have been established in different African states and still others are being established. The Mau Mau are stirring again in Kenya, waiting for the day of Kenya's independence to strike. Ethiopia has just survived a revolt. Uganda is under strong pressures by the Chinese Communists. Egypt has turned to the Communists for aid and is seeking to establish a strong military force for the avowed purpose of

aiding countries desirous of throwing off colonialism. The Communists are infiltrating the labor unions of Nigeria and elsewhere. Communist literature from Russia and Red China is flooding the continent. Thousands of students are given ample scholarships to study in the universities of communist countries. The Communists stir up one group against another and then at the opportune moment aid the victorious side and ride to power with them. The dream of progress and peace has vanished as the chains of bondage tighten. In the ensuing confusion most Africans are unaware of the source of the enveloping chains, but a careful scrutiny will reveal the "MADE IN MOSCOW" or "MADE IN PEKING" label.

Our own country has not been unaware of the developments. We have seen the crying need for economic development for the emerging continent. We have turned to the one answer that seemed ready at hand — foreign aid. Millions of dollars have been poured into various countries there. We have dug wells, built roads, dams, and many other projects, but the result has proven a bitter disappointment. The aid has not developed the ties of friendship we anticipated nor has it accomplished our further purpose in strengthening the front against communist aggression. In

despair the cry has gone up for still more aid as the solution. We are constantly told that if only we would give more, perhaps the tide could be turned. We have given more until our own economy has been badly strained and our gold reserves drained, but still our goal remains beyond our grasp.

In our enthusiasm for the often misunderstood concept of democracy we have undiscerningly supported almost any move toward complete freedom and autonomy for all of Africa. We have failed to realize that democracy cannot function without some semblance of general agreement at least on guiding principles, and this agreement has not always been present in all parts of Africa. We have uncritically opposed "colonialism" in any form, failing to see that even colonialism at its worst (and there have been serious abuses) is far better than the abject slavery of the totalitarian, imperialistic colonialism of collectivism of the Soviet or Red China brands. Not all countries have been ready for democracy nor is democracy necessarily always the final answer.

The Communists likewise have not been standing idly by as Africa has been emerging. They have entered the scene with the ruthless but inconspicuous tools of power politics and have made great gains toward their goal. The collectivist

ideology has found a ready prepared soil in much of Africa, for it is the ideology of power. The Communists have been concerned to indoctrinate in compulsory collectivism only an educated corps of the elite. They have been content to bring the masses under their power.

So there have been two conflicting ideologies struggling for the mind and heart of Africa. The Communists have entered the conflict fully aware of their goals and of how to achieve them. Their efforts have had dramatic success. We have entered the conflict struggling for an ideal that we inadequately understand and only half believe. As a consequence, we are being defeated. The struggle is basically in the field of ideas. It is an ideological conflict. Two diametrically opposed ideals, two conflicting views of morals, two diverse philosophies of life are involved. Until we grasp this important truth, we are bound to continue in retreat.

An Ideology of Power

The socialist-communist ideology is in its origin and by its very nature an ideology of power. It seeks the end of "social justice" or greater equality and security by means of the abolition of private property and enterprise, by state ownership in the means of

production and by a planned economy. The state, by making men more equal, must of necessity treat the individuals in society unequally, taking more from some and giving more to others. It must exert politico-economic power over the members of society, which is really a most effective power over the life and minds of men. The individuals are no longer free to choose their ends, since the means to these ends are controlled by the state. The state chooses the scale of values for each individual and, finally, what he is to believe and what he is to do. The individual becomes of necessity the slave of the state, a sacrifice to what is described as "the general welfare" or "the common good."

In this socialist¹ ideology the individual exists for the purpose of the whole which is determined and enforced by the power of the state. His importance is gauged by how well he serves the ends of the state. He can readily be sacrificed, as has become evident, for the good of the state. The individual is not free. The only "freedoms" he has are given to him by the authority of the state, which is the very opposite of true freedom. We see this socialistic con-

cept of our rights being derived from the state rather than from God illustrated in the very charter of the United Nations.

Essential to the socialist ethic is the idea that the end justifies the means. Hence, means repugnant to our sense of morals fall within the socialist standard of morality. Truth is not absolute, but that which serves the ends of the state at the particular moment. Hence, the impossibility of dealing with Communists in treaties, contracts, or agreements as we would deal with men and nations who hold to absolute norms of conduct. Truth has been destroyed by socialism.

Socialists sometimes attain their ends of redistribution by gradual and legal means, such as increasing the power of the state in the economic sphere by welfare state measures. The ends, however, remain the same, and the ethics of the means just as contrary to Christian ethics, although not as patently violent as those of the more doctrinaire Socialists. It might be likened to the differences between stabbing a man and killing him gradually by small doses of poison.

Misunderstanding Is Our Guide

That we have failed adequately to understand the nature of socialism is evidenced by our adopting

¹ Any so-called difference between socialism and communism is immaterial to this discussion, and the terms are here used interchangeably.

many of the principles of socialism as our own. Our foreign aid program has been but one example of this. On the fallacious notion that we can buy friends, or appreciably improve the lot of the masses in Africa by government-to-government aid, we pour out our largess. Some of this aid is consumed in graft. Part of it foots the bill for their socialistic welfare experiments. The result is to discourage capital investment in the tools of production, the only sound method of progress. Tax-collected foreign aid for the purpose of redistributing the wealth more equally throughout the world is a form of socialism.

Perhaps religious leaders and prominent theologians have been especially misled in this regard. Because of their sympathy for the poor and oppressed and their realization that we are not as charitable as we should be, they are more readily inclined to make the illogical jump from personal charity and concern to government coercion to enforce a greater leveling of wealth. There is, of course, a vast difference between charity given freely from the heart of love and concern, and the forceful equalizing of wealth by the police power of the state. Many have failed to see this vital distinction.

There is still hope for Africa. Some of us who have spent many

years there among her people have come to love this great awakening continent and her people. However, not merely out of sentiment but also from the very vital concern for our own survival, we need to work toward the removal of the chains that are encompassing Africa today. This can never be effected unless we realize that the struggle is basically an ideological one and unless we better understand our own ideology – the ideology that made our own nation great.

Individualist Ethics

The conflict in Africa (and in the world) is basically between the ethics of socialism and the individualist ethics of the West. Many of us believe that this individualist ethics has been most consistently expressed in the Christian religion finding its roots in the moral law given by Moses to Israel. It is the belief that moral principles are absolutes and that man is responsible to God for his adherence to these principles. Basic integrity is one of the foundation principles of all our conduct. Without integrity, there can be no progress in the intellectual, moral, or economic spheres. Honesty breeds trust and the free exchange of commerce and of ideas without which there can be no peace or progress. Honesty is

the basis of all commerce; the indispensable element of prosperity.

Contrary to a popular view, justice relates not to the amount of our possessions in relation to those of others but only to the treatment of man by man. A just state of affairs can only be one in which all are treated equally by the same moral standards and judged alike by the same general laws. Individualist ethics demands restraint from fraud and deceit and all violence in man's dealings with other men. Violation of these norms of conduct is to be punished by the power of the state. The state is to govern, not by the whim of men in power, but rather by fixed general laws that apply equally to everyone. This is one of the distinctive marks of an individualist society in contradistinction to a collectivist society.

Individualist ethics, since it prohibits theft and fraud, holds inviolable the right to private property. In fact this is the very heart and keystone to individualist and Christian ethics. This right is a God-given right — a vital and integral aspect of the right to life. Without property rights all other rights are meaningless. If a man has lost the right to his honestly earned possessions, he has lost the fountainhead of all rights and is no longer free, but a slave.

The individualist ideology of

the West looks upon the individual as a creature of God. He does not exist, as the collectivist claims, to serve the ends of the state but rather under God as an end in himself. He is a free soul. He needs free scope to utilize his talents and the resources available for his own betterment and satisfaction. He needs to be free to make mistakes also and to suffer the consequences. Only thus is the good of the whole best served. His freedom ought to be restrained when he violates the established code of laws embodied in the rule of the land, a code that ought to conform to the moral laws given by God. He needs restraint also when he would interfere with the same freedom of others. Society can make progress morally, intellectually, and economically only as individuals do so. The idea of reforming the individual through society, which really means by the coercive power of the state, is a fatal error. There can be no morals, no intelligence, no freedom unless it is the freedom, the intelligence, and the morals of individuals within the group.

A Hopeful Direction

The hope for Africa lies in a deeper understanding of our individualist ideology and in promoting this widely in Africa to counter the collectivist ideology of

Russia and Red China. Instead of the vast sums that have been poured out in foreign aid, if only a fraction of that amount had been used to promote individualist ideology and ethics and the free enterprise which can flourish only in such an atmosphere, we might not be witnessing the chains tightening around Africa today.

Missionaries and others working in Africa have an important part to play in this struggle. The message of Christianity, if correctly understood, is one that will promote commerce, peace, and prosperity because it involves in-

culcation of the Christian ethic as the norm of conduct in all our individual, family, church, and other relationships. There may yet be hope for Africa. The hope lies in a course different from the one on which we have embarked.

Shall we of the United States continue to aid the Socialists in forging the chains for Africa, or shall we in true realism support the only program that can bring deliverance from bondage, peace, and friendship with this great emerging continent? Our own survival may well depend in large measure upon our answer. ♦

IDEAS ON LIBERTY

Individualist Ethics

IN THE QUESTION of possessions, the ethics of reverence for life are outspokenly individualist in the sense that wealth acquired or inherited should be placed at the service of the community, not through any measures taken by society, but through the absolutely free decision of the individual. They [the ethics of reverence for life] expect everything from a general increase in the feeling of responsibility. Wealth they regard as the property of society left in the sovereign control of the individual. One man serves society by carrying on a business in which a number of employees earn their living; another by giving away his wealth in order to help his fellows. Between these two extreme kinds of service, let each decide according to the responsibility which he finds determined for him by the circumstances of his life. Let no man judge his neighbor. The one thing that matters is that each shall value what he possesses as means to action. Whether this is accomplished by his keeping and increasing his wealth, or by surrender of it, matters little. Wealth must reach the community in the most varied ways, if it is to be of the greatest benefit to all.

ALBERT SCHWEITZER, *The Philosophy of Civilization*
New York: Macmillan Company, 1960. All rights reserved.

Our "Experts" ALMOST RUINED GERMANY

*... a vital lesson for the United
States on the relation between
inflation and growth.*

IN 1951 the U.S. State Department sent a commission of American economists to West Germany to investigate and make recommendation to that government on fiscal policy. Chairman of the commission was Professor Alvin W. Hansen of Harvard. Professor Walter W. Heller, now chairman of President Kennedy's Council of Economic Advisers, joined the commission and is reported to have had a hand in writing the report. The world has long waited to view this report, which was classified as a secret document. Many people want to know precisely what measures were recommended by Dr. Heller and the other economists, and to what extent the phenomenal West German prosperity is related to the pre-

scription which they gave for Germany's economic health.

On excellent authority, I have the substance, as well as a number of quotations from this 400-page report. I believe it is in the public interest for the American public to know about this. It would appear that the German government practically threw this report into the wastebasket, and pursued policies which were the opposite of those recommended by Dr. Heller and his associates. Today, as we know, German prosperity is the envy of the world. What would have happened had they followed the commission's recommendations? The reader may answer that for himself.

Here are some of the recommendations in the report: (1) That Germany had an "excessive concern for price stability." It tried to egg the Germans on to

This article is from two of Mr. Fertig's columns which first appeared in the New York World Telegram and Sun and other Scripps-Howard papers on May 8 and May 29, 1961.

more inflation and said that they (the Germans) tended to "confuse wartime inflation with the normal operations of peacetime credit." The Germans would have none of this. They kept the lid on the money supply and refused to pursue a cheap money policy. Germany had less inflation than any nation in Europe, and as a result she had more prosperity.

(2) Our economists told them that "a rate of interest high enough to stimulate any large volume of personal savings would seriously curtail investment." The Germans scoffed at that idea and they encouraged savings by a high rate of interest. Instead of German investments being curtailed, they were expanded. German industry made the most rapid strides in Europe.

(3) The Germans allowed fast depreciation of capital investment and gave special inducement to corporations to increase their investment in new plant and equipment. The American economists objected to this, saying that "it was an expenditure of tax funds which would otherwise have been collected by the government." Always the Americans suggested that the government should be dominant in the economy. The Germans completely disregarded this recommendation and went their own sweet way to prosperity.

(4) Finally, the American report said that "the nostalgic hopes . . . looking toward a revival of the nineteenth century role of a capital market are doomed to disappointment. *The capital market plays no such role in any modern country and there is no prospect that it will.*" This is probably the most ridiculous statement in the report.

The capital market has been the mainspring of German prosperity and it certainly has been the heart of American progress. Plainly, Dr. Heller and his associates never had any confidence in the heart of the private capitalist system — the private capital market.

Is It Good Advice for U.S.?

This raises grave questions as to whether we ought to follow advice given by some of these same people in Washington. Is the economic philosophy represented by the Heller school of economics right or wrong for the United States? This type of thinking now dominates the Administration, and therefore the question is pertinent. Will it lead to a high degree of prosperity and maintain the free economic system in the United States?

The important point is that the Hansen-Heller report urged Germany to engage in deficit spend-

ing, to maintain a cheap money policy, to enlarge government economic activity and shrink the private area (the same policies which they advocate today for the U.S.). Economics Minister Erhard summarily rejected this advice. Instead, he adopted a policy of balanced budgets, monetary restraint, encouragement of private enterprise and incentive for individual effort. The result was what became known as "the miracle of German recovery." The progress and prosperity of Germany has been unequalled in the entire Western world. Shouldn't the U.S. follow Dr. Erhard's course and spurn the kind of economic nostrums that could have ruined Germany?

The Rules of "Laissez-Faire"

The first thing the Germans did was to institute currency reform and establish a hard, new Reichsmark. They vowed that they would never engage in inflationary government spending or inflationary monetary policies which would rob people of their earnings. Then, with sound money as a base, Dr. Erhard said, "We decided upon and re-introduced the old rules of a free economy, the rules of *laissez-faire*. We abolished practically all controls for allocation, prices, and wages and replaced them with a price automatism controlled predominantly by money."

Imagine throwing out wage and price controls as early as 1948! When the United States eliminated controls five years later, we were told by so-called liberal economists that this action would result in a catastrophe for us.

Tax rates in Germany were reduced — to provide greater personal incentive — to a point where the top individual tax rate was no more than 50 per cent. German depreciation allowances were permitted on business investment — although our Fair Deal "experts" said at the time this was bad. German interest rates were kept high to encourage savings and investment. German government expenses were held down and a balanced budget was maintained. These policies were scorned by our experts.

What was the result? From the moment, in 1948, when our Occupation Authority's authoritarian controls on the economy were abandoned, vigorous recovery began. In ten years, production more than doubled and *real* wages — earning power figured in terms of goods — nearly doubled. By 1958, the Bonn government offered its citizens the right to buy 10- and 20- gram bars of gold for 57 and 112 marks respectively. There was no rush for gold because people had faith in the soundness of the mark.

Britain and Germany Compared

A comparison of those years with Britain under a Labor government is interesting. Britain pursued the opposite policy. According to a study by Economist David McCord Wright, published by the American Enterprise Association, British prices under inflation (1948-56) increased 45 per cent while German prices *fell* 5 per cent. While real wages in Germany nearly doubled, British workers got less than a 10 per cent increase. Under Germany's lower-cost production, her manufactured exports rose from 7 per cent of the world total to over 15 per cent. Her gold and dollar surplus soared, while the British declined.

But could this pace be maintained in 1960? The answer is that 1960 was one of the most prosperous years in German history. Her total product increased 8 per cent in real terms — a fantastic record. There was no unemployment — the in-between-jobs registrants totaled less than one per cent of her work force. In 1960, her exports increased by 15 per cent, and she had a trade surplus of over a billion dollars. There is no record to equal this in the entire Western world.

Why, then, do we in the United States give heed to advice that might have ruined Germany had it been taken? We are now ad-

vised, as Germany was, to spend ourselves into prosperity by way of government deficits. We are told that government must spend more of the national income and individuals must spend less.

Our tax rates choke business and curb individual effort, but we are told that high taxes are necessary because high government spending is essential. Our depreciation schedules restrain industry investment in new plant and equipment — which is the very foundation of a higher standard of living for everyone. Yet, Administration economists refuse to revise these schedules basically and instead come up with a piddling credit which is merely a gimmick. Administration economists urge a new law to tax as income, in the year property is sold, all the depreciation allowances which have accumulated over many years. This would freeze capital investment, depress real estate and other values, and spur contraction rather than expansion.

Germany proved that a sound monetary policy encourages growth. Our New Frontier economists do not believe this. German experience proves that dynamic growth can be achieved by employing sound classical economic measures. Administration economists today give no sign of understanding and believing these principles.

JOHN C. SPARKS



If men were free to try, they might find a way out of it.

PERHAPS for the same reason that so many persons expect the government to resolve their personal problems, they also imagine that a remedy which failed when applied in small measure is bound to give good results if applied on a massive scale. The outcome, of course, depends on whether or not the proposed remedy is suited to the problem. A small amount of the wrong medicine may do no more than postpone a patient's recovery, whereas a large dose might injure him seriously, if not fatally.

By the middle 1950's, it was fairly obvious that the United States had on its hands a sick patient in the form of an acute highway problem. The federal government asked a study commission for recommendations to make the nation's roads adequate and safe

for the growing commercial and passenger traffic. Mounting maintenance costs, increasing snarls of traffic, rising totals of highway accidents and deaths were some of the alarming symptoms of sickness in the system of highways, roads, and streets owned by city, county, state, and federal governments.

A major automobile manufacturer conducted a contest for ideas which might help resolve the problem. Clubs and civic groups offered suggestions. Government leaders had recommendations. But the net result of all this was the one general idea, the one solution, of turning to the federal government. It could administer the largest possible dose of the same old medicine — bureaucratic planning, construction, and operation, financed on the grand scale through higher taxes.

In 1956 the Federal Highway

Mr. Sparks is a businessman in Canton, Ohio.
Illustration: A. Devaney, Inc., New York

Program was initiated to provide a network of national highways estimated to cost \$23.6 billion and to be completed by 1972. Today, five years later, the estimated mileage goal of the new highways has been increased slightly, but the costs are now estimated to be \$41 billion, and many believe the figure may exceed \$50 billion before completion. Furthermore, the predicted completion date has been moved along three years to 1975. Other difficulties include property acquisition at prices well above recent market values; construction work below specifications; overpasses too low to accommodate commercial transports; houses disappearing before the government could redeem some of the acquisition costs through resale;¹ selection of costly routes when less expensive routes were available;² and political considerations outstripping economic considerations. Sharp criticism has been leveled at the program by various senators and others in positions to report the extravagant waste, bureaucratic bungling, and dishonesty.

The only purpose in recounting the record of the Federal Highway Program is to show the poor con-

dition of the patient after a big dose of the wrong medicine. Obviously, it is important to determine the right medicine so that we may work ourselves out of the highway dilemma.

Looking in the Wrong Place

No number or concentration of experts on road construction or of wizards on finance can find the solution to the highway problem *until the search is conducted in the area in which the solution lies*. The evidence is clear that the wrong place to look for the solution to the highway problem is in the area of government. That practically all highways are owned by some particular form of government—federal, state, county, or municipal—is the problem and not the solution.

Government is not creative, although misguided and misunderstanding citizens and elected servants have time and time again mistaken compulsion for creation.

The proper role of the government should be to defend our nation from outside attack, as a soldier, and defend us from lawlessness from within, as a policeman. Both of these tasks are very important, but neither is creative in nature. The company striving to develop a new vaccine for the elimination of cancer surely would not assign the project to the plant

¹ "\$40 Billion Highway Program in Trouble." *U.S. News & World Report*, March 7, 1960.

² Karl Detzer, "Our Great Big Highway Bungle." *Reader's Digest*, July 1960.

security police. Nor should we assign the development of highways to political policemen. We have too often hooked up coercive power to a creative field, and the results have ended inevitably in failure. When the hand of government is inserted in a problem requiring initiative, it becomes a dead hand — and the failure can be predicted.

Government should not be in the creative field of highway construction and ownership. One cognizant of the coercive nature of government could have predicted years ago (and some surely must have done so) the dilemma with which we are faced today. Surely he would have foreseen the inadequacy of government roads to keep pace with the development of ideas for better conveyances that would come from millions of creative individuals acting freely. No one could have predicted in detail where the road facilities would be proven inadequate, just as no one could have predicted in detail sixty years ago just what the 1961 model Cadillac would look like. But if one had been aware of the creative nature of a society of free men and the coercive nature of government, he could have predicted in general terms, but no less accurately, the dilemma of today.

Similarly, we can predict today

the greater dilemma which will face us still unsolved in succeeding years unless government surrenders this highway problem and responsibility to private initiative.

The Alternative: Private Ownership

The alternative to public or government ownership of highways is *private ownership*. There are but these two possibilities. The alternative to the government ownership of anything is private ownership, whether it be the automobile industry, chemical industry, the postal system, or the corner grocery store. Regardless of the industry or service, these are the alternatives of ownership.

The government-ownership record is not enviable. It has become a so-called insurance company for millions, but with a Social Security sales program so unconvincing to the discernible that it must force its captive "policy holders" to pay their "premiums." In its operation of this compulsory "insurance" scheme, it pays out benefits in order to win votes and increases the amount of these benefits without regard to its financial status. Government entry into the electric power field under the guise of flood control, its entry into local education and its threat to wield even a heavier hand of authority through federal aid, its slow and expensive jaunt into

atomic power—these are vivid bits of evidence of the record of government ownership and control in creative fields.

For the purpose of illustrating the great accomplishments of private initiative, let us suppose you had lived in 1900 and somehow were confronted with finding a solution to any one of the following problems (within the next 61 years):

1. To keep roads adequate for use of conveyances, their operators, and passengers!

2. To increase the average span of life by 30 years!

3. To convey instantly the sound of a voice speaking at one place to any other point or any number of points around the world!

4. To convey instantly the visual replica of an action, such as a presidential inauguration, to men and women sitting in their living rooms all over America!

5. To physically transport a person from Los Angeles to New York in less than four hours!

6. To build a horseless carriage of the qualities and capabilities described in the 1961 advertising folder of any automobile manufacturer!

Without much doubt you would have selected the first problem as the one easiest of solution. In fact, the other problems would have seemed fantastic and quite likely

would have been rejected as the figment of someone's wild imagination.

Now, 61 years later, let us see which of these problems has been solved. Has the easiest problem been solved? No! Have the seemingly fantastic problems been solved? Yes, and we hardly give them a second thought.

It is not accidental that solutions have been found wherever the atmosphere of freedom and private ownership has prevailed wherein men could try out their ideas and succeed or fail on their own worthiness. Nor is it accidental that the coercive force of government—when hooked up to a creative field such as transportation—has been slow, plodding, and unimaginative in maintaining and replacing its facilities.

We Haven't Thought About It

How could roads be built and operated privately? I do not know. This is a subject to which none of us directs his creative attention. We never think creatively on any activity pre-empted by government. It is not until an activity has been freed from monopoly that creative thought comes into play.

But go back to 1900. Could any of us then have told how to solve the five problems to which solutions have been found? Suppose,

for instance, that someone could then have described the looks and performance of a 1961 automobile. Could any of us have told him how to make it? No, no more than we can describe how to privately build and operate highways today. But we can be sure that the exciting and miraculous equivalent of other private-ownership developments will occur with respect to highways when they are freed from governmental monopoly.

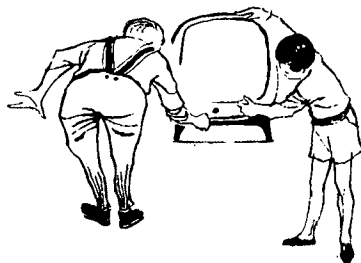
A privately-owned highway company would continually seek to satisfy its customers by providing safe facilities for them and their vehicles, most likely far beyond our imagination. It would continually seek to improve its facilities in order to increase its own sales and attract customers from its competitors. The tie-in of achievement and financial reward would be direct — and the results would be as astounding as penicillin, television, or power-steering. Could we not logically expect a development in highway facilities as amazing as the contrast between a jet-engine airliner and the first invention of the Wright brothers?

Who can say what thoughts will come to light when men are free to own, build, and operate highways and try out their own ideas, assuming their own risks of pen-

alty or reward according to their abilities? I cannot predict the exact development in highways which would be comparable to the development of four-wheel brakes to an automobile, or to the development of the coaxial cable or microwaves to the communications industry. I cannot predict the exact nature of the ingenious thought of some man unknown to me, perhaps yet unborn. But I can safely and accurately predict he will exist somewhere just as soon as government relinquishes its monopolistic and compulsory hold on highways, and he will bring forth and try out an idea which will be but one of many advances that will come through a private highway system.

This is the direction toward which we must head if we hope to be successful in finding our way out of the highway dilemma. It will cost nothing but courage to try freedom. Private ownership, private initiative, the hope of reward, and the expectation of achievement have always been primarily responsible for the advancement of mankind — accounting for an almost infinite number of “fantastic” accomplishments. Privately-owned highways could be another. ◆

DIRECT TAXATION



or — THE ULTIMATE IN FARM SUBSIDIES

It was a windy afternoon
With thunder in the air.
Old Kaspar closed the windows tight
And settled in his chair,
While Peterkin and Wilhelmine
Looked at the futurama screen.

They saw brigades of dusty men
In boots and denim pants
Go surging through the city streets
Like swarming soldier ants;
While city folks amid the rout
Were left with pockets hanging out.

"Now tell us what it's all about!"
The little children cried.
"It is the Farmers' Subsidy,"
Old Kaspar then replied.
"It keeps the farmers' income high,
Without a surplus food supply."

"There was a time," Old Kaspar sighed,
"When fiscal arts were crude,
And farmers earned their subsidy
By growing surplus food,
Which Uncle Sam would take and store
While farmers worked at growing more."

"But now we've set the farmers free
From such a sorry plight.
Whenever they are short of cash
They have the legal right
To raid a bunch of city folks
And take enough to fill their pokes."

"What happens if they take too much?"
Asked little Peterkin.

"They stop when they have all they need,"
Said Kaspar with a grin.
"They want their rightful Subsidy,
But not a mite of Charity."

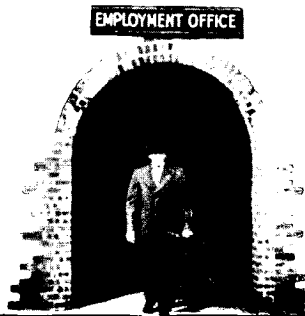


H. P. B. JENKINS

Economist, Fayetteville, Arkansas

OSCAR W. COOLEY

NO JOBS?



"I can't find a job."

Many a wage earner in recent months has lost heart and said or thought these discouraging words. But, are they warranted?

Is there really nothing one can do for which somebody, somewhere, would pay a wage? This would be true only if the work of the world were all done and we were all living on Easy Street. This is just not the case.

True, modern workers are specialists, and the more highly specialized an economy, the more likely that some workers, somewhere, will at times find themselves temporarily out of work. If there were no specialization — if everyone produced everything for his own consumption — there would be no unemployment. We would all be very busy, and also

very poor, like Chinese coolies. How many would vote to return to such a primitive way of life?

Specialization can create a highly productive economy, but it also creates a highly interdependent one. Everyone finds himself dependent on everyone else. It's like a production line in a plant; if interrupted at some point the whole line is thrown out of whack.

We, with our highly specialized economy, offer the consumer a myriad of choices; and he, being human and fickle, keeps choosing first one thing and then another. Because the demand for each good and service fluctuates, the number employed to produce each good or service also fluctuates. Hence, some unemployment is inevitable in a specialized, free-choice economy — that is, if each worker insists on sticking to his own specialty and at an arbitrary wage pattern.

The flexibility of consumers in

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Illustration: A. Devaney, Inc., New York.

choosing their purchases ought to be matched by flexibility of workers in adapting themselves to jobs. And it can be, if the worker doesn't give up in despair and say, "I can't find a job."

***Flexibility in Skills,
Wage Rates, and Mobility***

There are at least three kinds of flexibility which the worker can exercise.

First, he can be flexible in the kind of work done. There's no law which says that a man can have but one skill. If his specialty is not in demand, let him turn his hand to a related skill. Thus, a milk salesman may become a bread vendor. Or, he may retrain himself for an entirely different kind of work. U. S. Department of Commerce figures show that 8,500,000 workers change employers every year and that over half of these change to different job classifications. These figures testify to the versatility of American workers.

The second choice open to the worker is flexibility in his wage rates. He will seek the maximum, naturally, and he should. On the other hand, no employer, under any system in any economy, can guarantee a worker that his wages will never be reduced. Certainly, no such guarantee can be given in a highly variable, dynamic econ-

omy. And why should a worker expect such a guarantee? Such guarantees are worthless, as workers under the omnipotent state know full well. In a free society the merchant has no guarantee that he will succeed, nor does the doctor or lawyer or banker or farmer. And remember, a house that has a floor also has a ceiling. Putting a floor under wages sets a precedent for putting a ceiling over wages. Totalitarian nations do both.

The third kind of flexibility open to a worker is geographical. He should be ready to move — to go where the work is, for it rarely will come to him. After all, a worker and his family are much more mobile than is a factory, to say nothing of a mine, a forest, or a fishery.

Fortunately, advanced specialization makes moving much easier for today's worker than it was for his grandfather. Having an automobile, he can work anywhere within a wide radius without moving his family. When he has to move his place of residence, if he has a house trailer he can take his home right with him. If not, there are houses and apartments of all kinds to rent or buy on easy terms in every community. And wherever he goes he finds many retail stores and service establishments to supply the needs of his family.

Some 33,000,000 Americans

move their place of residence every year. Every five years, on the average, we all move!

No other worker in the world has ever been so mobile as is the modern American. It is one of the chief reasons why the American's level of living is so high.

This country has been a land of opportunity, and it still can

be. Though there has been a regrettable trend of recent years away from freedom and self-responsibility, this trend need not be irreversible. The greatest opportunity in the world awaits the worker of initiative and ambition, who deplores the modern trend and who recognizes temporary unemployment as a chance to find a new and better job. ♦

IDEAS ON LIBERTY

A Charitable View

I YIELD TO NO MAN in the world . . . in a hearty goodwill towards the great body of the working classes; but my sympathy is not of that morbid kind which would lead me to despond over their future prospects. Nor do I partake of that spurious humanity, which would indulge in an unreasoning kind of philanthropy at the expense of the independence of the great bulk of the community. Mine is that masculine species of charity which would lead me to inculcate in the minds of the laboring classes the love of independence, the privilege of self-respect, the disdain of being patronized or petted, the desire to accumulate, and the ambition to rise. I know it has been found easier to please the people by holding out flattering and delusive prospects of cheap benefits to be derived from Parliament, rather than by urging them to a course of self-reliance, but while I will not be a sycophant of the great, I cannot become the parasite of the poor. . .

RICHARD COBDEN, as expressed in 1836 in a letter to W. C. Hunt on hours of labor.

STANLEY YANKUS

EVERYBODY KNOWS THAT



DURING MY YEARS as a chicken farmer in Michigan I used to read various poultry magazines to gain a better knowledge of the business. While thus engaged one evening, I suddenly realized that I didn't know how many toes a chicken has on each foot. Though there were thousands of hens roosting in our chicken coop at the moment, and though chickens had provided our living for a number of years, the shocking fact was that I didn't know about their toes. "Yankus," I thought, "you're stupid!" So I referred the problem to my wife in the kitchen; she didn't know, either. The next day I asked a neighboring chicken farmer, who admitted his ignorance. A truck driver, primarily engaged in hauling chickens, couldn't give the answer.

The point is that so often we fail to observe and think about the very things most basic in our lives. For instance, there is nothing

more fundamental in civilized society than the right to own property — nothing more destructive of civilization than stealing. But, how many of us know why stealing is wrong?

Imagine yourself before a jury of Socialists whose ideas on stealing match their creed: "From each according to ability, to each according to need." Charged with spreading the belief that stealing is wrong, you stand bound before a firing squad. The squad leader affords you a last chance: "Why is stealing wrong? Give me a reason."

Why is stealing wrong? Everybody knows that! Stealing is wrong because you are taking something that belongs to someone else. But that is only a definition — not a reason. Stealing is wrong because someone might catch you? No, that argument is futile against Socialists, because they have voted to legalize stealing, by way of taxation and inflation.

Perhaps your brain is numbed by such coercive action. So, im-

Mr. Yankus, in protest to governmental interference with his farming operations, recently removed his family from Michigan to Australia.

agine you've now escaped to a land of capitalism. A group of businessmen have offered a million dollars for an answer to the question, "Why is stealing wrong?" So you work on a million-dollar explanation.

Your thoughts run back to those from whom you had learned of truth. Your mother told you that stealing is wrong, but she didn't prove it. Your teacher said that stealing is wrong, but didn't explain. Your preacher simply asked you to believe that stealing is wrong. The law says that stealing is wrong — but man's laws are subject to man's repeal. The Bible and the Ten Commandments say that stealing is wrong; but seek there as reverently as you will, the explanation eludes you.

Even little children know that stealing is wrong. Perhaps you'll want to ask your children for a reason against stealing. If you get the same answers I did, you'll agree that it's time to exercise that form of parental responsibility that starts with improving one's own understanding.

Why is stealing wrong? Here is the best explanation I can offer at the moment:

Each of us is born with a God-given right to his own life. If you think otherwise, name the person who has a right to your life. In order to retain your life and ful-

fill its purpose — in your pursuit of happiness — you must be able to own, possess, use the things you earn. The thief who steals your earnings, your property, is infringing on your God-given right to life. This is why honesty is the best policy — why it is wrong to steal.

Some believe that stealing is a law of nature because, they say, it is natural for animals to steal. But there is a penalty built into this law of the jungle: even in the animal kingdom, stealing leads to violent fights. Ownership of property is not a well-developed institution among animals because they lack the ability or understanding to earn or create wealth; they can only garner the fruits of nature by instinct. When men adopt stealing as a code, under the guise of welfarism, they reduce themselves to the animal level. In a socialistic society, the theory and practice of private ownership tend to vanish, as does one's right to his own life.

A man once said to me, "I condemn all stealing except when a person steals bread to sustain his life." But suppose your sole possession were a loaf of bread, and someone stole it from you? Whose life has priority?

Stealing is wrong. Everybody knows that!

Incidentally, there are four toes on a chicken's foot. ♦

HOW *State* HELP DESTROYS *Self* - HELP

WILLIAM HENRY CHAMBERLIN

IT WOULD NOT MAKE either good sense or good morals to leave a long stretch of sidewalk dangerously slippery with glazed ice while spending the money that might have been used for snow removal on ambulances and hospital beds for passersby who might break their arms or legs on the slippery ice.

Yet, in essence, this is what the Welfare State in America and elsewhere does. While making a parade of humanitarian purposes, the ever-expanding practice of offering state handouts for every emergency, from getting a house or apartment to paying for medical aid, is destroying an extremely valuable American tradition that it is up to the individual to pro-

vide for the well-being of himself and his family.

For it is a most pernicious although widespread illusion that the State can create any wealth of its own. When a government announces some new expensive social welfare program, the point is usually carefully obscured that this program must be paid for through some form of increased taxation (it is immaterial whether this takes the form of heightened "social security" payments or of direct federal or state taxes) or through the most cruel and harmful tax of all, inflation.

It may seem humane and benevolent to provide free medical care for the aged by taxing the general population. But a much more practical and realistic form of benevolence would be to leave people in their productive years enough of their earnings so that they could

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save for medical care and other emergencies in their years of retirement. From the standpoint of personal satisfaction, self-help beats state help every time.

It is indeed shocking and distressing that in a country like the United States, where wage and salary levels are comparatively high, where no serious depression has been known for more than a generation, so many "senior citizens" have such low personal incomes. The reason is pretty obvious: the tremendous increase in the burden of taxation at all levels. Many of the indigent aged could take a pencil and paper and calculate accurately how many more opportunities for comfortable living, including ability to meet their medical bills, they would have enjoyed if so much of what they earned had not been siphoned off by federal, state, municipal, and other taxgatherers, to say nothing of the steadily increasing bite of the payments required to maintain some semblance of solvency for the social security system.

There are many fields in which the ever-expanding process of state help is destroying individual capacity for self-help. Take housing, for instance. Whenever a federal housing project is launched, with rents below the cost of production, the taxpayer who must foot the deficit is rendered less

capable of purchasing or renting his own housing. Take the case of a young man, newly married, who is supposed to be taken care of, if he wants a middle-income house, by a 40-year, no-down-payment mortgage plan. But, if his income were less heavily taxed, he might well be able to save enough for a conventional down payment and have enough of his paycheck left to pay off his mortgage on a 20-year basis.

Some Fundamentals

The fundamental truths that the State, by its very nature, can create no real wealth, that whatever it gives to one group it must take away from another (or perhaps from the same group), should be hammered in with the remorseless iteration of which only commercial advertising seems capable. For history is full of examples of healthy national communities that gradually shriveled up, lost vitality, and perished as the people were bribed by the will-o'-the-wisp of state handouts and fell more and more into the meshes of an all-encompassing bureaucracy.

It is one of the best established laws of history that, as government activity expands, individual activity and enterprise contract, until what was once a vigorous, self-reliant society becomes a hollow, bureaucratized shell, easily

cracked by external attack or internal decay. This whole drama of rise, growth, decay, and ultimate fall has been played on many stages in world history, the most dramatic being that of ancient Rome.

Gibbon has immortalized the fate of Rome in what is probably, if only for its literary style and philosophical quality, the greatest of all histories, *The Decline and Fall of the Roman Empire*. A Canadian professor of classics, W. G. Hardy, in a lecture entitled "Why Rome Fell," published in a paperback work on Greece and Rome, sums up in briefer form many of the causes of decline and fall which Gibbon analyzed at more length.

Why Rome Fell

The Roman Republic, which had triumphed over Hannibal and many lesser enemies mainly because of the self-sacrificing patriotism and devotion of its proud citizens, had become an absolute empire in which the State, working through a huge imperial bureaucracy, tried to do everything for everybody, relieving everybody of his surplus cash in the process. The financial burden of keeping up an increasingly mercenary army and of providing the *panem et circenses*, the "bread and circuses" which the idle Roman popu-

lace demanded, steadily increased.

Roman financial policy became one of creeping and not-so-creeping inflation. The most common Roman coin, the sestertius, lost about 98 per cent of its value between the time of Augustus, at the beginning of the Christian Era, and the reign of Diocletian, some three centuries later. Diocletian, who brought some temporary order and stability into the declining empire, might well be honored as the patron saint of all planning and regulating agencies. He issued an edict fixing a maximum price for all goods on the market and for wages in all trades. The penalty for violation was death. But economic laws proved stronger than the imperial decree and this supreme experiment in economic regimentation ended in a fiasco.

The clammy dead hand of bureaucracy more and more strangled individual initiative. The empire became a bound society. The more well-to-do citizens in every community were made collectively responsible for bringing in the taxes. The natural result was that they ceased to be well-to-do. Farmers were tied to the soil; their sons had to be farmers. Similarly the sons of artisans had to follow their fathers' trade. As Professor Hardy sums it up: "There was no escape from this relentless regimentation. For regi-

mentation was the end-result of the abdication of political freedom and of the pursuit of materialism. The Welfare State had become a despotism."

Ever higher taxes, an ever-increasing bureaucracy, the growth of an omnipotent State, the paralysis of local initiative, a growing reliance on a faraway central authority that started with some features of the Welfare State and ended with full-fledged totalitarianism — here are some very obvious forces making for the decline and fall of Rome. Does it require much exercise of the imagination to see in our own country and our own time some germs, at least, of these ultimately fatal diseases?

A Trend Away from Freedom

Surely, the saying that all one learns from history is that men learn nothing from history is borne out by the lack of awareness of the symptoms that have foretold the decline and fall of great societies in the past. For more than a generation the trend has been steadily in the direction of increasing the power of the central government and diminishing the self-reliance and independence of the individual, and his ability to provide for his own future. This trend has been faster under some Administrations, slower under

others; but it has never been decisively arrested, much less reversed.

By far the best kind of social security is provided by individual saving. But the healthy impulse of the normal individual to put aside for "a rainy day" has been given no positive encouragement and much discouragement. The principal discouraging factors have been inflation, the steady erosion in the purchasing power of the dollar, and taxes at federal, state, and local levels so heavy that little margin is left for saving.

There are several feasible ways in which the government could encourage individual saving and thereby rid itself of the almost unlimited obligation which it assumes when it is taken for granted that the State has some obligation to bail out the individual from any misfortune he may suffer. Both deposits in savings banks and interest on savings bonds, within a reasonable limit, say \$25,000, could be freed from taxation. In view of the steady decline in the purchasing power of the dollar, this would only be elementary fiscal justice.

But neither these nor any other measures calculated to stimulate individual saving have received effective support in Washington. One of the most familiar forms of saving in America, in contrast to Europe, where corporation stocks

are usually held by a rather narrow circle, is investment in common stocks. There are now some thirteen million owners of common stocks in the United States, most of them people of quite modest means.

There has been much vague talk about "economic democracy"; but this increasingly diffused ownership of America's industrial enterprises is the most effective means of distributing profits widely that has ever been devised. Many companies have employee stock ownership plans on favored conditions — an excellent means of creating a sense of personal interest in the performance of the company.

One factor that has discouraged stock ownership is the double taxation of money paid out in dividends. A corporation is first taxed 52 per cent on its profits. Then a second tax is levied on whatever is paid out in dividends, depending on the tax status of the dividend recipient. In other words, the same money is taxed twice — a gross and obvious inequity. In logic there should be either a corporation tax or a tax on individual income from dividends, not a combination of the two.

A slight alleviation of this injustice went into effect some years ago when the practice of allowing a \$50 deduction and a 4 per cent

credit for income from dividends was introduced. Now it has been proposed to do away with these small concessions and restore the full undiluted injustice of double taxation of the same income. An extremely cumbersome and difficult system of withholding taxation for dividends and interest seems designed as another discouragement to savers.

Soak the Poor

Even when it is recognized that the State can create no wealth of its own, it can only take from some if it is to give to others, it could still be argued that state spending programs are financed on the Robin Hood principle of taking from the rich to give to the poor. But this contention loses force at a time when the maximum rate of the steeply graduated federal income tax is 91 per cent. Taxes designed to "soak the rich" have reached the point of small and diminishing returns. Most of the money for additional government spending projects will be extracted from taxpayers in the medium and low brackets, whose ability to provide for their own social security will be correspondingly reduced.

It has been the general experience in Great Britain and other countries where the Welfare State has been pushed even farther than it has been in the United States

that the end of the process is for the government to take out of one pocket what it puts into another, with the inevitable high overhead costs of bureaucracy as an extra loading charge. Perhaps some day, when the futility of this process becomes more apparent, there will be more recognition of the simple truth that the best service government could render to the peace of mind and the true social security of its citizens would be to cut down both spending and taxation to a point where the individual could fairly be expected to look out for his own "social security."

What Kind of Society?

The State in America has become an omniscient provider, a purveyor of housing and of various social services, a regulator and, if the "liberals" have their way, a large-scale financier of a public school system that was formerly left to local administration and local resources. For this new role of the central government there is no warrant in the letter and spirit of the American Constitution, which is mainly concerned not with offering a grab bag of promised material benefits to all and sundry, but with telling the government what it may *not* do in abridging the liberties of the individual citizen.

It is time to cut through the un-

derbrush of detail and face up to the basic question in this issue of state help versus self-help. What kind of society do we want? One of independent self-reliant citizens, prepared to take care of themselves and their families, asking from the State only to leave them alone and get off their backs? Or a society of government pensioners, willing to sign away their political and economic liberty in exchange for ever bigger hand-outs? Which is the more desirable type of citizen — the chronic recipient of relief or the sturdy hardworking Amish farmer who had his horses confiscated and sold by order of some local bureaucrat because he wanted to contract out of both the benefits and the payments involved in the social security system?

Minimum Government

The good society is surely one in which people are allowed to keep enough of what they earn so that they can pay for their homes, medical aid, and other needs without government assistance. And it is foolish to say that such a society is visionary; fifty years ago it existed in these United States. But it is receding farther and farther into the distance and it is part of the corrupting effect of the Welfare State that resistance to it tends to weaken

as the individual is able to keep less and less of what he earns because of its exactions.

Tocqueville's Warning

Long before communism, socialism, and collectivism were more than abstract theories, a great political thinker conceived a vision, or a nightmare, of what might well be the logical final form of the Welfare State. As Alexis de Tocqueville writes in one of the more striking passages of his *Democracy in America*:

"Above this race of men stands an immense and tutelary power, which takes upon itself alone to secure their gratifications, and to watch over their fate. . . . For their happiness such a government willingly labors, but it chooses to be the sole agent and the only arbiter of that happiness; it provides for their security, foresees and supplies their necessities, facilitates their pleasures, manages their

principal concerns, directs their industry, regulates the descent of property, and subdivides their inheritances — what remains, *but to spare them all the care of thinking and all the trouble of living? . . .* The will of man is not shattered, but softened, bent, and guided; men are seldom forced by it to act, but they are constantly restrained from acting; such a power does not destroy, but it prevents existence; it does not tyrannize, but it compresses, enervates, extinguishes, and stupefies a people, *till each nation is reduced to be nothing better than a flock of timid and industrious animals, of which the government is the shepherd.*" (Italics supplied.)

If the American Republic takes the final irrevocable turn down the road of statism and collectivism, it will not be for lack of warnings in the pages of history and in the ever-living ideas of prophetic thinkers. ◆

Give me the right to fail —
To butt my brains against the high wall of ambition;
I care not how rough the gale,
If I can choose the course my ship will sail.

THE EUROPEAN COMMON MARKET

A commentary based on the experience of the United States.

JOHN V. VAN SICKLE

THERE ARE MANY reasons for the substantial difference in material levels of living in the United States of America and in the countries of Western Europe. The existence of free trade within the extensive territories making up the United States and its absence in Western Europe is certainly a reason, perhaps the most important single reason. Naturally, therefore, the decision of the European Six to go all the way to complete free trade has created great expectations. Will these expectations be fulfilled or disappointed? American experience with which we shall be concerned in this paper provides grounds for hope and for caution.

This article is slightly condensed from an address by Dr. Van Sickle, Professor, Emeritus, Wabash College, Crawfordsville, Indiana, before the Association of Luxembourg Economists, Luxembourg, September 2, 1959, and first published in *Il Politico* vol. XXV, N.1, University of Pavia, Italy.

Success cannot be taken for granted. As the traditional internal barriers are torn down, popular demands will arise in Western Europe, as they have in the United States, for the erection of substitute barriers which can be even more harmful to growth and to friendly relations than moderate and stable tariffs. And these demands will be hard to resist because they will be supported by humanitarian arguments of exceptional persuasiveness — and respectability.

I shall illustrate my thesis by three important pieces of American federal legislation of the 1930's. It will be argued that each one tended and still tends, in and of itself, to protect industries in the wealthier parts of the country from the competition of industries in the poorer and less developed parts of the country. All of these

measures are protectionist in effect and rest on an economically fallacious concept of what constitutes a fair wage.

U. S. Economic Integration

We in the United States formed a Common Market 170 years ago. From the beginning the American experiment involved a political as well as an economic integration. The people transferred a few but very important elements of sovereignty to a new central government which replaced the existing loose and ineffective Confederation, or League of Friendship.

This League — with France's help — had been strong enough to win a war, but not strong enough to preserve peace among the victors. Further surrenders of sovereignty were needed. Among the powers transferred to the new Federation, the following are important for our purposes: the power to regulate commerce and population movements between the states and with foreign countries; the power to tax the people directly — but with safeguards which forced the new government to rely on regressive taxes (as distinguished from graduated income taxes) for almost 150 years; the power to coin money and to regulate its value.

What Washington gained, the states lost. They could no longer

exclude goods or capital or people from their territories. They had no control of their monetary systems. They could not devalue their currencies. They were denied access to the printing press. Henceforth, trade among them was on a completely free-trade basis and under rules equivalent to those embodied in the unqualified and unconditional most-favored-nation treatment clause in international treaties and under a discipline as exacting as that of an international gold standard.

This redistribution of sovereignty virtually ruled out welfare planning as we know it today. The American people, perhaps by inadvertency, were committed to working out their social and economic problems within the framework of private competitive capitalism. Technically, any one of the 50 states of the American Union can adopt socialism, or can convert itself into a modern welfare state, provided it does so in such fashion as to leave itself in a thoroughly competitive position within the vast domestic market. It cannot price itself out of that market and then invoke tariffs or quotas or exchange controls or monetary devaluation on the ground that it is confronted with a "fundamental disequilibrium." Nor can any single state finance an ambitious welfare program or growth program via

the printing press. State expenditures must be paid for out of current taxes or by loans floated in the private capital market.

If the United States goes socialist or carries the welfare concept as far as it has been carried in many parts of the world, the job will in fact have to be done from Washington. With the passage in 1913 of the 16th Amendment authorizing the federal Congress to impose a direct and progressive tax on personal incomes, the central government now possesses the necessary powers. For the past quarter of a century it has used these powers extensively to this end, and now it is the United States as a whole that is confronted with the problem of reconciling welfarism with the necessity of keeping the American economy competitive in world markets.

Years of Growth and Progress

In many respects, and for many years, however, the American experiment more than fulfilled the hopes of the Founding Fathers. The breadth and diversity of the domestic market encouraged territorial specialization and interstate trade, and, with the later development of cheap overland transportation, mass production. The legal protection of property rights provided in the constitutions of

the original 13 states and imposed in the case of the 37 states subsequently admitted to the Union encouraged domestic saving and attracted substantial foreign savings as well. A liberal immigration policy, religious tolerance, and political liberty under law, attracted many skilled workers to this richly endowed and underpopulated country. The moderateness of taxation and its regressiveness in the face of almost unlimited opportunities encouraged saving and investing.

From the very beginning this growth occurred behind a tariff wall. Moderate at first, it reached inordinate heights in the Tariff of Abominations of 1828. The threat of secession by the Southern cotton states led to a reversal of policy during the 1830's. If the slavery issue could have been settled peacefully, it is possible that the tariff wall would have been kept at a moderate level indefinitely. Unfortunately, the Republican Party formed to preserve the Union was as hostile to free trade as it was to servile labor. And save for 16 years the Republican Party controlled the White House throughout the period 1861-1932. During that 70-year period tariffs were repeatedly raised until with the passage of the Hawley-Smoot Tariff Act of 1930, the United States became one of the most highly protectionist countries in the world.

And what was ominous for the health of the world economy, this happened when the United States had also become the world's greatest creditor nation.

Protectionist Policies

It is impossible, of course, to say what would have happened if the United States had remained a low-tariff country. The fact is that it did not, and yet the American economy grew very rapidly in the two generations following the Civil War. To the man on the street American prosperity was enough to prove the correctness of the protectionist thesis. There was little or no popular understanding of the fact that the complete free trade within the vast and diversified domestic market could as readily be cited as proof of the correctness of the free-trade thesis. Up to 1929 the American people managed to accept, with no apparent mental discomfort, protectionist arguments with respect to international trade and free-trade arguments with respect to trade between the states making up the American union.

The Great Depression came as a profound shock to many who had failed to see the folly of government intervention. Belief in private competitive capitalism was seriously weakened; faith in state interventionism correspondingly

strengthened. Security became an end in itself and not, as it must be in a dynamic and free society, a by-product of continuous and appropriate adjustments to ever-changing conditions. In all this turmoil the protectionist element in American thinking was vastly strengthened.

This assertion may sound paradoxical in view of the sharp reversal of American foreign trade policy inaugurated by the Reciprocal Trade Agreement Program, our active participation in GATT, our aid in rebuilding the economies of other countries, the drastic lowering of many of the Hawley-Smoot tariff rates, and our willingness to accept discrimination against our exports.

But the assertion becomes less paradoxical if United States policy is looked at as a whole, domestic as well as foreign.

All that was said above regarding the liberalization of United States foreign policy, while true, is misleading. Most of the reductions in tariff rates, while substantial, are highly selective, nominal in their effects, and terminable on short notice if they cause serious damage to any industry. Equally serious is the protectionism concealed in the valuation and clearing of goods through customs. All in all, the American market may be about as difficult to pene-

trate as at any time in the past.

In fairness to the United States it should be pointed out that the record of most other countries over the same period has been even worse. The United States has at least avoided most of the quantitative restrictions on trade.

But the real evidence for the growth of protectionism is to be found in the domestic aspects of United States policy.

Industrialization in the South

The Industrial Revolution really started in the United States after the Civil War. Between 1865 and 1890 the Old South, a region larger than Western Europe, languished, impoverished and embittered, while the victorious North surged ahead. By 1890 a geographical pattern of specialization had been set which is only now slowly breaking up. Some 85 per cent of all industrial wage jobs were concentrated in a narrow Quadrilateral encompassing southern New England, most of New York state, Pennsylvania, Maryland, and the northern halves of the Lake States of Ohio, Indiana, and Illinois. The Old South with its very high birth rate was poorer absolutely, and much poorer relatively, than it had been 30 years before. It was *the* underdeveloped part of the country. Only a large and continuing migration to the

underpopulated West and to the industrial North kept the enormous level-of-living gap between the South and the rest of the country within tolerable limits.

Beginning about 1900 a slow and glacierlike change set in. By 1929 there was some evidence that industry was breaking out of the Industrial Quadrilateral and that the South, the Mountain States, and the Far West were the chief gainers. The South continued to export people, but it was now beginning to attract extraregional capital in the form of firms that could make sufficiently effective use of its abundant supply of unskilled and semiskilled labor and of its substantial mineral, forest, and water resources to pay premium prices for the capital and the skilled and supervisory labor which had to be brought in from the outside. Yet the gain was slight, and it was not at the expense of the other regions.

With the onset of the Great Depression the situation changed radically. Industrialization continued in the Old South while there was an absolute contraction in the North. Large numbers of recent migrants from the South returned to their homelands, depressing wage rates there still further. Meantime, state and later federal aid and a relatively strong trade union organization sustained

money wage rates in the North. Thus the wage gap, which had always been large, widened and the migration of industry quickened. The South's growth now appeared to be at the expense of other parts of the country. The view spread that its growth was due to labor "exploitation," that this represented a type of unfair interstate competition that should be stopped.

Acting individually there was nothing the Northern industrial states could do about it. The federal government, on the other hand, could — provided a majority in the Congress could be persuaded of the propriety of intervening.

Political Excuses

Political realities were the real persuaders. But when politicians propose to act contrary to long-established practices, it helps to have handy respectable rationalizations. Three generalizations appear to have been particularly effective.

First of all, there was the "just wage" argument. Workers of comparable skills in the same industry, it was argued, should get the same rates of pay. This was not happening. Firms in the South were paying substandard wages, and in the process they were pulling down wages and incomes throughout the country. The Com-

merce Clause should be invoked to stop the sale in interstate markets of goods produced at substandard wages, while the federal power to spend and to promote the general welfare should be used to establish minimum standards for workers engaged on federally financed projects.¹

Secondly, there was the "historic locations" argument. It was first set forth in *Migration and Economic Opportunity*,² and further developed and documented by the National Resources Planning Board in *Problems of a Changing Population* (1938). The amazingly persistent geographical concentration of industry, to which reference has already been made, was advanced as proof that the Industrial Quadrilateral possessed a natural comparative advantage. The existing migration of capital out of the Quadrilateral was held to be abnormal and uneconomical. With recovery the disadvantages of location in the agricultural hinterland would force many of these activities back into the Quadri-

¹ An effective statement of the fair wage thesis is to be found in the ILO charter as it appears in Part XIII of the Versailles Peace Treaty of 1919. Indeed, virtually the whole of the New Deal program of social reform is contained in the first two "whereases" of the Preamble.

² By Carter Goodrich et al., and published by the University of Pennsylvania Press, 1936.

lateral to the accompaniment of costly temporary misallocations of capital.

The sensible thing to do, therefore, was, first of all, to set minimum wage standards directly by federal law or indirectly by collective bargaining so as to stop, or at least slow down, this wasteful diffusion of capital; and, in the second place, to facilitate the migration of people into the Quadrilateral as rapidly as job opportunities opened up there. Within the United States, labor should be more mobile than capital. Internationally, of course, the official position was that capital should be more mobile than labor. Neither the Democratic nor the Republican Party proposed to encourage migration into the United States as a contribution to recovery or as a requirement of social justice.

The third, or "purchasing power" argument invoked the name of Lord Keynes, though he would almost certainly have disapproved of the way in which his theory of effective demand was used, or more accurately, misused in this connection. The trouble with the South was declared to be lack of purchasing power. The thing to do, therefore, was to inject purchasing power into the region. This could be done (1) by establishing a minimum wage; (2) by requiring Southern firms

bidding on federal contracts to agree in advance to pay fair wages; (3) by encouraging the extension of collective bargaining into the region; (4) by supporting the prices of the South's principal agricultural products; (5) by public works, like the T.V.A.; and (6) by financing the whole expensive program (a) by borrowing from the Federal Reserve Banks at nominal rates of interest and (b) by highly progressive taxes on the wealthy whose low propensities to spend and reluctance to invest were contributing to the continuation of the Depression.

This is the background against which it is proposed to examine the three important New Deal measures referred to earlier: the National Labor Relations Act of 1935; the Public Contracts Act of 1936; and the Fair Labor Standards Act of 1938. They are popularly regarded as models of social welfare legislation.

I shall argue that the second and third of these measures, in and of themselves, tend to retard the development of the poorer parts of the country; that the first, i.e., the National Labor Relations Act, was intended to have this effect; and finally that they are all inconsistent with the operating requirements of private capitalism and with the international interests of the United States.

Legislation Granting Powers and Privileges to Organized Labor

The National Labor Relations Act was designed to increase the bargaining power of labor. It lifted collective bargaining from the status of a liberty to that of a right. In connection with the Norris-LaGuardia Act of 1932, which virtually ruled out the use of the injunction in labor disputes, it so greatly increased the power of organized labor as to lead the late Professor Sumner H. Slichter of Harvard University to describe the American economy as "laboristic" rather than "capitalistic."³

The growth of trade unionism was phenomenal yet uneven. It penetrated only slightly into the more rural parts of the country. This was particularly true in the case of the Old South. As a result the Act actually tended to widen the North/South wage-gap and thus increased the ability of the Old South to attract extraregional capital.

The next approach, therefore, was through the federal spending power. The Public Contracts Act of 1936 barred firms from bidding on federal contracts in excess of \$10,000 if they paid less than a fair wage to be stipulated by the Secretary of Labor, and if they failed to observe other provisions

with respect to hours and minimum age of employment. The Act provided a workable definition of a fair wage—that prevailing in the locality in which the good or service involved was actually produced. But by what to a layman not versed in the subtleties of law was an amazing *tour de force*, the test of fairness was declared to apply not to a particular firm but to that nebulous concept, "an industry," and was to be determined by a complicated finding which in fact pretty effectively excluded from government contracts smaller firms in smaller communities everywhere, and particularly Southern firms.

Federal spending power could now reach into every hamlet in the land to influence the formation of wages. But federal spending throughout the 1930's was insufficient to affect appreciably North/South wage differentials. A more far-reaching intervention was needed. A legal minimum wage appeared to be the answer.

Despite its traditional opposition to government wage-fixing, organized labor was slowly won over to the view that a federally imposed minimum wage could accomplish in short order what it would take years to accomplish through collective bargaining. The Fair Labor Standards Act of 1938 is the product of this conversion.

³ *The American Economy: Its Problems and Prospects*, 1949, p. 7.

The American minimum wage law is unlike any other minimum wage law in the world. It is the same throughout the country, but it applies only to firms whose goods and services enter into interstate commerce. This is tantamount to saying that it applies only to the exporters of the several states, and by and large, these are the highest wage-paying firms in the localities in which they are located.

This partial coverage is due to the fact that the power to fix wages rests with the state governments, not with the federal government. The latter says in effect, "You, employer, are free to pay any wage you want, but, if you sell, or if there is reason to believe that your product may eventually sell outside the confines of your state, you must pay so and so many cents per hour for the privilege, with time and one-half for hours worked over 40 per week, and you may not employ boys and girls under 16 years of age. Furthermore, you must pay this minimum regardless of whether you are large or small, regardless of whether you are located in a tiny village in the most poverty-stricken part of the country or in New York City, and regardless of how much lower the unskilled labor rate may be in your community for firms engaged entirely

in intrastate commerce."⁴ Political forces tend to establish the rate close to that required by competitive forces in the wealthier parts of the country and well above that prevailing in the poorer states.

The International Labor Organization

As the barriers to trade within Western Europe are torn down, there will be a demand for legislation similar to that adopted in the United States — and similar, incidentally, to that now being sought through ILO sponsored International Conventions. And arguments very like those described above will be advanced. How valid are these arguments?

Take first the "historical location" argument. It is of very doubtful validity. The geographical pattern set during the early stages of the Industrial Revolution in the United States was not inevitable. It was to a considerable extent the outcome of a historical accident — the prostration and demoralization of the Old South. From 1900 on, regional differences in factor prices were slowly but surely bringing about a diffusion of manufacturing out of

⁴ The minimum was set originally at 40 cents per hour — to be arrived at by stages and by industries over a seven-year period. After several increases it now stands at \$1.00 an hour (\$1.15 in 1961, to rise to \$1.25 in 1963).

the Industrial Quadrilateral, and in the process regional differences in levels of living were being narrowed. In my judgment federal interventions designed to hasten recovery should have worked with and not against the forces making for dispersion.

At this point a value judgment is involved. To the writer it seems more humane to encourage capital to move to areas of surplus population rather than to encourage surplus populations to move to areas of existing capital concentration. Competitive market forces, left to themselves, divide the burden of adjustment by encouraging a voluntary migration of people out of areas where labor rewards are low and a voluntary movement of capital into such areas in the form of industries that can make effective use of unskilled labor.

This is what had been happening in the United States during the first three decades of the present century. Firms coming South had been establishing themselves in small towns. They paid wages that were low by Northern standards but high by comparison with what those workers could earn in any available local alternative employment. Yet it was precisely these firms that the unions sought to organize, that the federal government tried to bar from bidding on federal contracts and from sell-

ing in interstate markets. This seems to me to have represented bad economics, bad ethics, and (to the extent that it fostered excessive urbanization) bad sociology. This is our second objection to the arguments under consideration.

The National Interest

Our final objection grows out of our conception of the national interest. As a major military and economic power and as a substantial creditor nation our interests and our moral obligations toward the rest of the Free World clearly require that we open up our domestic market on stable, durable, and reasonable terms. This is all the more important since we are not going to encourage mass migrations of peoples into the United States. American business and American labor must be prepared to compete with foreign firms which enjoy wage differentials far more substantial than those prevailing within the United States.

While we have been going through the motions of opening up the American market for more than a quarter of a century now, we have simultaneously introduced into our vast domestic market indirect barriers to regional exchanges that represent a basic rejection of free trade. More than that, these measures, in combination with a federal commitment to

full employment, have introduced a built-in inflationary bias into the American economy.⁵ As long as American inflation lagged behind that in Europe, our tariff reductions were relatively meaningless. Now, however, as other parts of the Free World bring inflation under control, the American market is at long last under serious pressure.

At this point it seems clear that something will have to give. If the United States is to continue to discharge its foreign responsibilities constructively and at the same time meet successfully this new and unaccustomed international challenge, we shall have to learn to live with competition. If American public opinion continues to feel that it is unfair for a firm in Michigan (one of our wealthiest states) to compete with one in Mississippi (our poorest state) on the basis of a 20-cent-an-hour wage differential, will this same public opinion be willing to allow foreign goods to enter the American market in increasing quantities, when it is known the wage differential is a multiple of the Michigan/Mississippi differential? It seems highly unlikely, particularly since international trade

seems so unimportant compared to our vast domestic trade — unless, indeed, the rest of the Free World can convince us that we cannot afford the luxury of isolationism.

Prospects and Pitfalls

And this brings me back to the European Common Market and to my final remarks. I believe that as you move toward your ultimate goal of complete free trade, you will enjoy a substantial increase in productivity and in material well-being. But I also believe that large geographical differentials in wages will lead to a demand for the "harmonization" of welfare legislation, of state minimum wage laws, and for the extension of collective wage agreements to firms throughout the Common Market. Such measures put the cart before the horse. They seek to impose relationships which competitive market forces would eventually bring to pass. Imposed prematurely, they prevent these adjustments and hence perpetuate the very inequalities they are designed to correct.

If you pursue this course, the benefits of the Great Experiment will largely escape you. If you avoid it, you may very well over the next few years demonstrate the vitality and beneficence of private capitalism and help re-establish it in popular esteem throughout the Free World.

⁵ See my "Regional Aspects of the Problem of Full Employment at Fair Wages," in *The Southern Economic Journal*, vol. XIII, No. 1, July 1946.

What Happened to Whale Oil?



E. F. HUTTON

IT IS GENERALLY A MISTAKE for politicians to try to bolster up depressed areas or industries. History proves this over and over.

If an area or industry is depressed because of previously mistaken legislation, the law should be repealed. But if they become depressed for economic reasons, the politicians should keep hands off.

Take whale oil. That industry was a great and necessary one down to about 1850. Whaling ships searched every sea. There was "no climate that was not witness to their toil; no sea not vexed with their ships."

Then came coal oil, or kerosene, and New Bedford and Nantucket became depressed areas. Government, however, kept hands off and whaling men and their sons found other jobs.

With the coming of natural gas, kerosene for lighting started a long decline despite more millions of homes. The smelly lamp gave way to the gas jet, which was soon obsoleted by electric light.

Suppose all these new industries had been taxed to keep the dying ones alive! Government kept hands off, and the free competition of better and cheaper products caused the most rapid technological progress in history.

Congress is now urged to legislate increased coal consumption by 100 million tons a year to relieve unemployment in the coal industry which has pushed wage scales to the highest levels in America. Congress can do that only at the cost of other industries and their employees.

Mr. Hutton is the well-known industrialist, investment banker, and author of the column, "Think It Through."

Illustration: The Bettmann Archive



Conquest from Within

GREY LESLIE

EVERY AMERICAN CITIZEN can be justly proud when he considers the fact that the United States has never known a military defeat in its history. But his jubilation might be somewhat tempered if he took the time and made the effort to examine the structure and fantastic growth of our modern government, which contains within it a subtle antagonist more cunning and ruthless than any avowed enemy of our free enterprise system.

The typical American taxpayer is too occupied in earning enough money to meet the incessant and ever-increasing demands of the tax collector at all levels of government to realize that he and his fellow citizens have contributed more of their hard-earned money to foreign powers than all of the vanquished people in history have paid to their conquerors.

Because these enormous "con-

tributions" were made with the high purpose of "containing" or frustrating the aims and ambitions of the despots of communism, public resistance has been muted; and active public support has been encouraged by telling us that these expenditures were made "in our own enlightened self-interest."

We have seen the sad results of our crusade of economic and financial evangelism in the recent past and in the immediate present.

But the conquest of the United States may be accomplished by an enemy belatedly recognized as "bureaucracy," which has been unwittingly nourished for some three decades and is now propagating at a fantastic rate.

One has only to glance through a formidable volume entitled *United States Government Organization Manual* of any recent issue, to get an idea of the proliferation of this menace to our welfare. Every phase of human vocation

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has been and is being invaded and affected by this constantly growing octopus, which has fastened itself upon us without any pretense of constitutional authority.

The several branches of our government as envisioned and formulated by our Constitution — Legislative, Judicial, and Executive — are no longer “branches” of government, but have created “empires” by means of so-called “Independent Agencies” which are now totally “independent” of the very Legislative, Judicial, or Executive offices that brought them into being.

Volumes of Evidence

Look at the number of “Laws” passed by Congress since 1933 which are currently in force (11 weighty volumes), and compare this collection with the *Rules and Regulations* of the Administrative Agencies (59 equally weighty volumes), which have the full effect of law. Indeed, many of these laws by rules and regulations have more than the compelling effect of law as we interpret law in America. With a painful recognition of a system of absolutism and totalitarianism, we find that the rules, regulations, jurisdictions, and acts of certain of these Administrative Agencies permit an Agency to summon citizens before it to be tried and penalized for some al-

leged infraction by the application of an “Administrative Sanction”— a form of executive punishment quite unknown and completely alien to our concept of free government.

With further shock, we learn that the judgments of certain of these agencies are “final and not subject to review by any Courts.” (*Estep vs. U.S.* 327 U.S. et alii.)

Our revered maxim of “equal justice for all” seems to have been wantonly ignored and abrogated without any clearly recognized authority.

It would be a melancholy task to undertake even a casual reading of the 797 closely printed pages of the *Government Organization Manual*. A reasonably comprehensive study of the structure of our modern American government would require a volume of encyclopedic dimension. However, without prejudice to any Department, we might take a cursory look at the organization, duties, functions, objectives, and aspirations of the Department of the Interior as a typical example of government invasion as an active and uncontrolled competitor of private enterprise in a wide field of human endeavor.

“The jurisdiction [?] of the Department [Interior] extends over the continental United States, to islands in the Caribbean and the

South Pacific, and to lands in the Arctic Circle. It includes the *custody* of 751 million acres of land, the conservation and development of mineral resources and the promotion of mine safety, the conservation development and utilization of fish and wildlife resources, the *administration* of the Nation's great scenic and historic areas, the reclamation of the arid lands of the West through irrigation, and the *management* of hydroelectric power systems." (p. 229, 1959-60; emphasis added.)

The foregoing is only a partial statement of the omnibus operations of that one Department. Under a heading, "Organization," we find that:

The Department of the Interior is composed of the office of the Secretary, other Departmental Offices (38), and the following:

Bureau of Indian Affairs
Bureau of Land Management
Bureau of Mines
Bureau of Reclamation
Geological Survey
National Park Service [which owns and operates resort hotels, motels, amusement and recreational facilities all on public lands and tax free]
U.S. Fish and Wildlife Service
Bonneville Power Administration
Southeastern Power Administration
Southwestern Power Administration
(*Ibid.* p. 229)

There follow 20 closely printed pages describing the activities of the several *subdivisions* of the Department.

Here is but one agency of government which claims jurisdiction (?) over almost *one-third* of the *total* land and water area of the United States and all its possessions and territories.

Add to this the other vast areas and operations taken over by federal agencies, and we are confronted with a nontaxpaying but *tax-supported* political and land empire which threatens to expand, to the detriment of privately-owned, privately-operated, taxpaying businesses.

Tax-Supported Losses

The claim has often been made that government-owned and government-operated activities were necessarily created and expanded to provide services, economic development, and defense production which private enterprise had failed, or was incapable, or was unwilling to provide; also that the federal corporate entities pay their own way.

These fictions have been exposed so often and so devastatingly that it would be tedious to repeat the rebuttal here. One simple fact stands out. The governmental operations in competition with privately-owned businesses pay no

taxes, and their accounting practices would never be tolerated in private business; indeed, a businessman indulging in them would likely be subject to legal prosecution. Yet these governmental operations seek and get tax dollars to pay for losses, to underwrite payrolls, and to finance hidden costs.

Their very bulk and irresponsibility make efficient and economical operations impossible.

Trimming the Bureaucracy

One need not possess a Doctorate in Economics to see the logic of drastically curtailing or eliminating many of these governmental invasions on private enterprise, if for no other reason than to lighten the disastrous and ever-increasing tax burden on individuals and industry that may well be the most potent weapon in the conquest of the United States from within.

An awareness of this threat is evidenced in the introduction of a proposed Constitutional Amendment which would require the properties and facilities of most of the federal corporations and administrative agencies, now in competition with private business, to be sold back to the American people.

We have already heard the wailings of an entrenched group of

governmental employees engaged in these federally operated enterprises. They estimate that more than a million of their fellow workers will be unemployed if the proposed Amendment and transfer of operations are brought to fruition.

The obvious answer would seem to be that if their work and ability are really useful, they can be more gainfully employed by private enterprise, and thereby get off the backs of taxpayers.

The pattern of government established by the Founding Fathers is as valid today as it was in their own time. The Ninth and Tenth Amendments in the Constitution are clear and concise, even if they are not self-enforcing. They require a continuous and vigorous support by a well-informed, alert, and articulate public opinion for effective application.

We need to recognize that, through a long series of legislative acts and executive orders, the government has delegated powers and authority to governmental agencies, clearly and patently outside the scope and intent of the Constitution.

Such delegations have made it possible for the government to inject itself into fields that rightly and sensibly belong to private industry which must operate efficiently to survive. Private enter-

prise can survive and thrive when the dead hand of the tax collector is removed, thus relieving individuals and industry of the intolerable burden of tax-supported mediocrity and inefficiencies in agencies and administrations which have no rightful place in our system of government.

It has been said that a Republic like the United States is bound to

be subject to many ills; but an equally wise sage has said that its citizens possess in their own hands the saving prescription for their remedy.

The chief ingredient of that prescription is a constant awareness and alertness of the possibility of a conquest from within and a determination, based on intelligent and informed opinion, to combat it. ◆

IDEAS ON LIBERTY

To Strengthen or Destroy

DISCONTENT LEADS TO PROGRESS, yet we attempt to eliminate it through dubious social welfare programs. Instead, we should strive to develop a sense of responsibility in each person to stimulate his interests, challenging him to do his best and to continually strive to do better.

Self-improvement was recognized and encouraged even back in the days of Confucius, and we have had hundreds of years to witness the truth of this adage: "The world improves only when people improve."

Kill a man's sense of responsibility, his self-respect, and his self-reliant spirit and you have destroyed his initiative leaving a spineless creature dependent on others, a slave.

This country grew strong under a pioneer philosophy of thrift, self-reliance, and ambition. All countries have grown weak when the people lose that spirit.

RALPH E. LYNE, Taylor, Michigan

A Sockdolager

From time to time, Congress has appropriated money for so-called charitable purposes. An unidentified narrator relates Davy Crockett's experience with the problem when he was a member of Congress. The following is slightly condensed from The Life of Colonel David Crockett compiled by Edward S. Ellis (Philadelphia: Porter & Coates, 1884).



DAVID CROCKETT

Member of Congress 1827-31, 1832-35

CROCKETT was then the lion of Washington. I was a great admirer of his character, and, having several friends who were intimate with him, I found no difficulty in making his acquaintance. I was fascinated with him, and he seemed to take a fancy to me.

I was one day in the lobby of the House of Representatives when a bill was taken up appropriating money for the benefit of a widow of a distinguished naval officer. Several beautiful speeches had been made in its support, rather, as I thought, because it afforded the speakers a fine op-

portunity for display than from the necessity of convincing anybody, for it seemed to me that everybody favored it. The Speaker was just about to put the question when Crockett arose. Everybody expected, of course, that he was going to make one of his characteristic speeches in support of the bill. He commenced:

"Mr. Speaker — I have as much respect for the memory of the deceased, and as much sympathy for the sufferings of the living, if suffering there be, as any man in this House, but we must not permit our respect for the dead or our sympathy for a part of the

Illustration: Culver Pictures, Inc.

living to lead us into an act of injustice to the balance of the living. I will not go into an argument to prove that Congress has no power to appropriate this money as an act of charity. Every member upon this floor knows it. We have the right, as individuals, to give away as much of our own money as we please in charity; but as members of Congress we have no right so to appropriate a dollar of the public money. Some eloquent appeals have been made to us upon the ground that it is a debt due the deceased. Mr. Speaker, the deceased lived long after the close of the war; he was in office to the day of his death, and I have never heard that the government was in arrears to him. This government can owe no debts but for services rendered, and at a stipulated price. If it is a debt, how much is it? Has it been audited, and the amount due ascertained? If it is a debt, this is not the place to present it for payment, or to have its merits examined. If it is a debt, we owe more than we can ever hope to pay, for we owe the widow of every soldier who fought in the War of 1812 precisely the same amount. There is a woman in my neighborhood, the widow of as gallant a man as ever shouldered a musket. He fell in battle. She is as good in every respect as this

lady, and is as poor. She is earning her daily bread by her daily labor; and if I were to introduce a bill to appropriate five or ten thousand dollars for her benefit, I should be laughed at, and my bill would not get five votes in this House. There are thousands of widows in the country just such as the one I have spoken of, but we never hear of any of these large debts to them. Sir, this is no debt. The government did not owe it to the deceased when he was alive; it could not contract it after he died. I do not wish to be rude, but I must be plain. Every man in this House knows it is not a debt. We cannot, without the grossest corruption, appropriate this money as the payment of a debt. We have not the semblance of authority to appropriate it as a charity. Mr. Speaker, I have said we have the right to give as much money of our own as we please. I am the poorest man on this floor. I cannot vote for this bill, but I will give one week's pay to the object, and if every member of Congress will do the same, it will amount to more than the bill asks."

He took his seat. Nobody replied. The bill was put upon its passage, and, instead of passing unanimously, as was generally supposed, and as, no doubt, it would, but for that speech, it re-

ceived but few votes, and, of course, was lost.

Like many other young men, and old ones too, for that matter, who had not thought upon the subject, I desired the passage of the bill, and felt outraged at its defeat, I determined that I would persuade my friend Crockett to move a reconsideration the next day.

Previous engagements preventing me from seeing Crockett that night, I went early to his room the next morning and found him engaged in addressing and franking letters, a large pile of which lay upon his table.

I broke in upon him rather abruptly, by asking him what devil had possessed him to make that speech and defeat that bill yesterday. Without turning his head or looking up from his work, he replied:

"You see that I am very busy now; take a seat and cool yourself. I will be through in a few minutes, and then I will tell you all about it."

He continued his employment for about ten minutes, and when he had finished he turned to me and said:

"Now, sir, I will answer your question. But thereby hangs a tale, and one of considerable length, to which you will have to listen."

I listened, and this is the tale which I heard:

"Several years ago I was one evening standing on the steps of the Capitol with some other members of Congress, when our attention was attracted by a great light over in Georgetown. It was evidently a large fire. We jumped into a hack and drove over as fast as we could. When we got there, I went to work, and I never worked as hard in my life as I did there for several hours. But, in spite of all that could be done, many houses were burned and many families made houseless, and, besides, some of them had lost all but the clothes they had on. The weather was very cold, and when I saw so many women and children suffering, I felt that something ought to be done for them, and everybody else seemed to feel the same way.

"The next morning a bill was introduced appropriating \$20,000 for their relief. We put aside all other business and rushed it through as soon as it could be done. I said everybody felt as I did. That was not quite so; for, though they perhaps sympathized as deeply with the sufferers as I did, there were a few of the members who did not think we had the right to indulge our sympathy or excite our charity at the expense

of anybody but ourselves. They opposed the bill, and upon its passage demanded the yeas and nays. There were not enough of them to sustain the call, but many of us wanted our names to appear in favor of what we considered a praiseworthy measure, and we voted with them to sustain it. So the yeas and nays were recorded, and my name appeared on the journals in favor of the bill.

"The next summer, when it began to be time to think about the election, I concluded I would take a scout around among the boys of my district. I had no opposition there, but, as the election was some time off, I did not know what might turn up, and I thought it was best to let the boys know that I had not forgot them, and that going to Congress had not made me too proud to go to see them.

"So I put a couple of shirts and a few twists of tobacco into my saddlebags, and put out. I had been out about a week and had found things going very smoothly, when, riding one day in a part of my district in which I was more of a stranger than any other, I saw a man in a field plowing and coming toward the road. I gauged my gait so that we should meet as he came to the fence. As he came up I spoke to the man. He replied politely, but, as I thought, rather

coldly, and was about turning his horse for another furrow when I said to him: 'Don't be in such a hurry, my friend; I want to have a little talk with you, and get better acquainted.' He replied:

" 'I am very busy, and have but little time to talk, but if it does not take too long, I will listen to what you have to say.'

"I began: 'Well, friend, I am one of those unfortunate beings called candidates, and — —'

" 'Yes, I know you; you are Colonel Crockett. I have seen you once before, and voted for you the last time you were elected. I suppose you are out electioneering now, but you had better not waste your time or mine. I shall not vote for you again.'

"This was a sockdolager. . . . I begged him to tell me what was the matter.

" 'Well, Colonel, it is hardly worth-while to waste time or words upon it. I do not see how it can be mended, but you gave a vote last winter which shows that either you have not capacity to understand the Constitution, or that you are wanting in the honesty and firmness to be guided by it. In either case you are not the man to represent me. But I beg your pardon for expressing it in that way. I did not intend to avail myself of the privilege of the constituent to speak plainly to a can-

didate for the purpose of insulting or wounding you. I intend by it only to say that your understanding of the Constitution is very different from mine; and I will say to you what, but for my rudeness, I should not have said, that I believe you to be honest. . . . But an understanding of the Constitution different from mine I cannot overlook, because the Constitution, to be worth anything, must be held sacred, and rigidly observed in all its provisions. The man who wields power and misinterprets it is the more dangerous the more honest he is.'

"I admit the truth of all you say, but there must be some mistake about it, for I do not remember that I gave any vote last winter upon any constitutional question.'

"No, Colonel, there's no mistake. Though I live here in the backwoods and seldom go from home, I take the papers from Washington and read very carefully all the proceedings of Congress. My papers say that last winter you voted for a bill to appropriate \$20,000 to some sufferers by a fire in Georgetown. Is that true?'

"Certainly it is, and I thought that was the last vote which anybody in the world would have found fault with.'

"Well, Colonel, where do you

find in the Constitution any authority to give away the public money in charity?'

"Here was another sockdolager; for, when I began to think about it, I could not remember a thing in the Constitution that authorized it. I found I must take another tack, so I said:

"Well, my friend; I may as well own up. You have got me there. But certainly nobody will complain that a great and rich country like ours should give the insignificant sum of \$20,000 to relieve its suffering women and children, particularly with a full and overflowing Treasury, and I am sure, if you had been there, you would have done just as I did.'

"It is not the amount, Colonel, that I complain of; it is the principle. In the first place, the government ought to have in the Treasury no more than enough for its legitimate purposes. But that has nothing to do with the question. The power of collecting and disbursing money at pleasure is the most dangerous power that can be intrusted to man, particularly under our system of collecting revenue by a tariff, which reaches every man in the country, no matter how poor he may be, and the poorer he is the more he pays in proportion to his means. What is worse, it presses upon him without his knowledge where

the weight centers, for there is not a man in the United States who can ever guess how much he pays to the government. So you see, that while you are contributing to relieve one, you are drawing it from thousands who are even worse off than he. If you had the right to give anything, the amount was simply a matter of discretion with you, and you had as much right to give \$20,000,000 as \$20,000. If you have the right to give to one, you have the right to give to all; and, as the Constitution neither defines charity nor stipulates the amount, you are at liberty to give to any and everything which you may believe, or profess to believe, is a charity, and to any amount you may think proper. You will very easily perceive what a wide door this would open for fraud and corruption and favoritism, on the one hand, and for robbing the people on the other. No, Colonel, Congress has no right to give charity. Individual members may give as much of their own money as they please, but they have no right to touch a dollar of the public money for that purpose. If twice as many houses had been burned in this county as in Georgetown, neither you nor any other member of Congress would have thought of appropriating a dollar for our relief. There are about two hundred

and forty members of Congress. If they had shown their sympathy for the sufferers by contributing each one week's pay, it would have made over \$13,000. There are plenty of wealthy men in and around Washington who could have given \$20,000 without depriving themselves of even a luxury of life. The congressmen chose to keep their own money, which, if reports be true, some of them spend not very creditably; and the people about Washington, no doubt, applauded you for relieving them from the necessity of giving by giving what was not yours to give. The people have delegated to Congress, by the Constitution, the power to do certain things. To do these, it is authorized to collect and pay moneys, and for nothing else. Everything beyond this is usurpation, and a violation of the Constitution.'"

"I have given you," continued Crockett, "an imperfect account of what he said. Long before he was through, I was convinced that I had done wrong. He wound up by saying:

"So you see, Colonel, you have violated the Constitution in what I consider a vital point. It is a precedent fraught with danger to the country, for when Congress once begins to stretch its power beyond the limits of the Consti-

tution, there is no limit to it, and no security for the people. I have no doubt you acted honestly, but that does not make it any better, except as far as you are personally concerned, and you see that I cannot vote for you.'

"I tell you I felt streaked. I saw if I should have opposition, and this man should go to talking, he would set others to talking, and in that district I was a gone fawn-skin. I could not answer him, and the fact is, I was so fully convinced that he was right, I did not want to. But I must satisfy him, and I said to him:

"Well, my friend, you hit the nail upon the head when you said I had not sense enough to understand the Constitution. I intended to be guided by it, and thought I had studied it fully. I have heard many speeches in Congress about the powers of Congress, but what you have said here at your plow has got more hard, sound sense in it than all the fine speeches I ever heard. If I had ever taken the view of it that you have, I would have put my head into the fire before I would have given that vote; and if you will forgive me and vote for me again, if I ever vote for another unconstitutional law I wish I may be shot.'

"He laughingly replied: 'Yes, Colonel, you have sworn to that once before, but I will trust you

again upon one condition. You say that you are convinced that your vote was wrong. Your acknowledgment of it will do more good than beating you for it. If, as you go round the district, you will tell people about this vote, and that you are satisfied it was wrong, I will not only vote for you, but will do what I can to keep down opposition, and, perhaps, I may exert some little influence in that way.'

"'If I don't,' said I, 'I wish I may be shot; and to convince you that I am in earnest in what I say I will come back this way in a week or ten days, and if you will get up a gathering of the people, I will make a speech to them. Get up a barbecue, and I will pay for it.'

"'No, Colonel, we are not rich people in this section, but we have plenty of provisions to contribute for a barbecue, and some to spare for those who have none. The push of crops will be over in a few days, and we can then afford a day for a barbecue. This is Thursday; I will see to getting it up on Saturday week. Come to my house on Friday, and we will go together, and I promise you a very respectable crowd to see and hear you.'

"'Well, I will be here. But one thing more before I say good-by. I must know your name.'

"'My name is Bunce.'

"'Not Horatio Bunce?'"

"'Yes.'"

"'Well, Mr. Bunce, I never saw you before, though you say you have seen me, but I know you very well. I am glad I have met you, and very proud that I may hope to have you for my friend. You must let me shake your hand before I go.'"

"We shook hands and parted.

"It was one of the luckiest hits of my life that I met him. He mingled but little with the public, but was widely known for his remarkable intelligence and incorruptible integrity, and for a heart brimful and running over with kindness and benevolence, which showed themselves not only in words but in acts. He was the oracle of the whole country around him, and his fame had extended far beyond the circle of his immediate acquaintance. Though I had never met him before, I had heard much of him, and but for this meeting it is very likely I should have had opposition, and had been beaten. One thing is very certain, no man could now stand up in that district under such a vote.

"At the appointed time I was at his house, having told our conversation to every crowd I had met, and to every man I stayed all night with, and I found that it gave the people an interest and a

confidence in me stronger than I had ever seen manifested before.

"Though I was considerably fatigued when I reached his house, and, under ordinary circumstances, should have gone early to bed, I kept him up until midnight, talking about the principles and affairs of government, and got more real, true knowledge of them than I had got all my life before.

"I have told you Mr. Bunce converted me politically. He came nearer converting me religiously than I had ever been before. He did not make a very good Christian of me, as you know; but he has wrought upon my mind a conviction of the truth of Christianity, and upon my feelings a reverence for its purifying and elevating power such as I had never felt before.

"I have known and seen much of him since, for I respect him — no, that is not the word — I reverence and love him more than any living man, and I go to see him two or three times every year; and I will tell you, sir, if every one who professes to be a Christian lived and acted and enjoyed it as he does, the religion of Christ would take the world by storm.

"But to return to my story. The next morning we went to the barbecue, and, to my surprise, found

about a thousand men there. I met a good many whom I had not known before, and they and my friend introduced me around until I had got pretty well acquainted — at least, they all knew me.

"In due time notice was given that I would speak to them. They gathered up around a stand that had been erected. I opened my speech by saying:

"'Fellow-citizens — I present myself before you today feeling like a new man. My eyes have lately been opened to truths which ignorance or prejudice, or both, had heretofore hidden from my view. I feel that I can today offer you the ability to render you more valuable service than I have ever been able to render before. I am here today more for the purpose of acknowledging my error than to seek your votes. That I should make this acknowledgment is due to myself as well as to you. Whether you will vote for me is a matter for your consideration only.'

"I went on to tell them about the fire and my vote for the appropriation as I have told it to you, and then told them why I was satisfied it was wrong. I closed by saying:

"'And now, fellow-citizens, it remains only for me to tell you that the most of the speech you have listened to with so much in-

terest was simply a repetition of the arguments by which your neighbor, Mr. Bunce, convinced me of my error.

"'It is the best speech I ever made in my life, but he is entitled to the credit of it. And now I hope he is satisfied with his convert and that he will get up here and tell you so.'

"He came upon the stand and said:

"'Fellow-citizens — It affords me great pleasure to comply with the request of Colonel Crockett. I have always considered him a thoroughly honest man, and I am satisfied that he will faithfully perform all that he has promised you today.'

"He went down, and there went up from that crowd such a shout for Davy Crockett as his name never called forth before.

"I am not much given to tears, but I was taken with a choking then and felt some big drops rolling down my cheeks. And I tell you now that the remembrance of those few words spoken by such a man, and the honest, hearty shout they produced, is worth more to me than all the honors I have received and all the reputation I have ever made, or ever shall make, as a member of Congress."

"Now, sir," concluded Crockett, "you know why I made that speech

yesterday. I have had several thousand copies of it printed, and was directing them to my constituents when you came in.

"There is one thing now to which I will call your attention. You remember that I proposed to give a week's pay. There are in that House many very wealthy men — men who think nothing of spending a week's pay, or a dozen of them, for a dinner or a wine party when they have something to accomplish by it. Some of those same men made beautiful speeches upon the great debt of gratitude

which the country owed the deceased — a debt which could not be paid by money — and the insignificance and worthlessness of money, particularly so insignificant a sum as \$10,000, when weighed against the honor of the nation. Yet not one of them responded to my proposition. Money with them is nothing but trash when it is to come out of the people. But it is the one great thing for which most of them are striving, and many of them sacrifice honor, integrity, and justice to obtain it."

IDEAS ON LIBERTY

State Intervention

THIS IS THE GRAVEST DANGER that today threatens civilization: state intervention; the absorption of all spontaneous social effort by the State, that is to say, of spontaneous historical action, which in the long run sustains, nourishes, and impels human destinies. When the mass suffers any ill-fortune or simply feels some strong appetite, its great temptation is that permanent, sure possibility of obtaining everything — without effort, struggle, doubt, or risk — merely by touching a button and setting the mighty machine in motion. The mass says to itself, "*L'Etat, c'est moi*," which is a complete mistake.

JOSE ORTEGA Y GASSET, *The Revolt of the Masses*

LESSONS FROM THE INCAS

IT IS INCONTESTABLE that human beings can live under a vast variety of economic and social dispensations. But the question is how well do they live?

We know how they have lived for some three hundred years under the relatively free economies of Western Europe and the North American continent. Inventions have increased apace, the individual standard of living has risen, limited forms of government have thrived, and populations have mounted without leading to the dire effects predicted by Malthus. It is solely on the basis of the Western progress of the past three centuries that Eastern and tropical cultures have dared to put their trust in the so-called "revolution of rising expectations."

Perversely enough, the Eastern and tropical cultures want the benefits of Western freedom while at the same time they resist taking over the going principles that have made Western benefits pos-

sible. In a hundred localities, from India to Cuba, and from Soviet Russia to the Congo, a second importation from the West – that of theoretical socialism of both the Fabian and Marxian types – has spread its alluring gospel. Western intellectuals who ought to know better have preached to the Eastern and tropical worlds that capitalism has had its day, and that socialism – or the commandeering and administration of productive property for collectively ordained uses – will prove quite compatible with a steady expansion of goods, services, and leisure for everybody.

Since the future hasn't happened as yet, and since socialists of all types judge capitalism by comparing it to a purely imaginary future collectivist utopia, it is difficult to prove to the Cuban or the Laotian people, for example, that the end-product of economic plenty depends on what Ludwig von Mises calls the "essentially hu-

man quality, the power to choose and to act." History, however, can be suggestive, for collectivist empires have existed on this earth in the past. What do such empires show for themselves? How have human beings fared under them?

Answers to such questions are available to the curious, provided they can find their way to certain books that do not ordinarily appear on the recommended lists of the orthodox Fabian and Keynesian professors. One such book is Louis Baudin's classic, *A Socialist Empire: the Incas of Peru*, which after many years of slumber in the original French has just been made available in an English translation (editor, Arthur Goddard; translator, Katherine Woods; publisher, D. Van Nostrand, 442 pages, \$8).

This work by Baudin, whom von Mises describes in a foreword as "the most eminent representative of contemporary French economic science," is hardly a polemical essay; indeed, it is hedged about by all sorts of cautionary caveats. Baudin knows that he is dealing with fragmentary knowledge, and with the reporting of ignorant and sometimes highly prejudiced men. The Spaniards who burst in upon the Inca world in the sixteenth century were not social historians; they were passionate people who were looking for provinces to loot,

or mines to exploit, or (as in the case of the churchmen) souls to save. Neither the records set down by the original conquistadores nor the imaginings of the "noble savage" school of literature which reigned throughout the eighteenth century are to be trusted as evidence of the workings of the Inca culture.

But with incredible patience Professor Baudin has winnowed his sources and compared his findings with what goes on today among the modern descendants of the old Quechua Indians of the South American cordilleran highlands. Archeology and contemporary anthropology have yielded him much. By dint of piecing many things together, Baudin comes up with some answers that should prove highly embarrassing to those who expect great things from a collectivist way of life.

A Class Society

The Andean Indians of Peru who were ruled by the Inca elite of the sixteenth century lived in a naturally hostile environment. They were short and stocky men, olive-brown in color, with broad chests and well-set shoulders. Capable of great endurance and great indolence, they scraped their livelihoods from highland plateaus that were hemmed in by forbidding mountain peaks. Beyond the

peaks in one direction were the deserts of the Pacific coast littoral; beyond them in another was the Amazon rain forest. Originally, the Quechuans had lived the immemorial life of the primitive agrarian commune, with every member of a clan sharing in the produce of lands that were parcelled out to families in periodic redistributions.

When the Inca elite moved in on the Quechuan underlying population, the agrarian commune was not fundamentally disturbed. The Incas themselves — the rulers who originally took over by conquest — merely added what Baudin describes as a State Socialist superstructure. Everything which the masses received was planned by the Inca rulers or the local caciques who served as their lieutenants in outlying districts. Everybody had security — but nobody had a right to go against a most authoritarian form of planning.

The Inca elite itself had privileges and even some private property. Known as the *orejones* (from their pierced ears), this elite was a genuine ruling class. It educated its own offspring to rule, but it was also far-sighted enough to allow for some measure of recruitment from the masses. Tests of endurance winnowed the ranks of those who were in training for elite jobs, which meant that birth

was no absolute guarantee of continued membership in the ruling caste. As for the “storehouse of women” available to the elite, this included the more personable young females of the underlying masses. They were recruited into community houses for “chosen women,” where they received instruction in sewing, cooking, and religious training. Eventually, the prettiest maidens became the chief Inca’s concubines, or were given in marriage to lesser elite dignitaries.

A nice life, that of the Inca elite. But it was a life bounded by duty, and nobody in Inca Peru was permitted to loaf. The elite tried to set a good example. As for the masses, they accepted their masters without complaint.

As described by Baudin, Inca “socialism” provided for a good deal of organized leisure; there were public celebrations, banquets, songs, dances, family events. Nobody, however, was permitted to get off by himself to indulge in individual idleness. Between the ages of eighteen and twenty-five, young people helped their families. Able-bodied men between the ages of twenty-five and fifty performed obligatory agricultural labor and military service. Children from ten to eighteen led the llamas; between the ages of five and ten they chased birds from the fields.

The most repulsive jobs were rotated. Families of hereditary craftsmen — jewelry workers, painters, potters, weavers — were set apart to produce for the Inca rulers. Other families, however, conducted unspecialized household economies, doing their own weaving, shoe-making, weapons making, and so on. Says Baudin, "there was no tailor or shoemaker or armorer in the empire."

Since the Incas provided for storehouses, and practiced conservation, there was generally a surplus on hand to insure against hard times. No wonder, then, that European authors frequently thought of Inca life when they were busy projecting their own utopias. But were people happy in the realm of the Incas? To this question Baudin addresses himself in a notable chapter called "A Menagerie of Happy Men."

Judging by the yearnings of the modern Andean Indian for the "old ways," the Incas were happy in a "negative" way. But it was the happiness of constituting a "cell" in a superior organism. The chief Inca, says Baudin, plunged his subjects into a sleep that was akin to death. Happiness was achieved by annihilation of the human personality. Stagnation was everywhere; inventions simply did not happen. And when the ruling Inca caste disappeared after the

invasion of the Spaniards, the passive Indian populations succumbed to indolence, timidity, drunkenness, uncleanness. True, they have shown a gentleness in "submissiveness, servility . . . and a certain utilitarian turn of mind." They still have a great "resistance to fatigue." But their virtues and their vices are all of a pattern, constituting what Baudin calls "the distinctive features of an enslaved and besotted race."

Baudin doesn't argue that the Peruvian Indian was necessarily made by heredity and environment to be anything else but what he has been. The Andean world was and is a harsh world. The Peruvian Indian lacked the wheel — and even with wheeled vehicles travel and trade would have been difficult in a region of jumbled highland valleys that were isolated by deserts and fever-ridden jungles from access to the sea. There were historic reasons for the development of Inca socialism.

A Model To Be Avoided

But if the Inca Empire was fated to be as it was, it does not follow from this that its principles should be imitated elsewhere. What oppresses Baudin is not that the Quechuan Indian submitted to his environment. His real objection is to authors like Edward Bellamy, whose *Looking Backward*

was an attempt to prescribe an Inca-like social organization for everybody. Since Bellamy's day the idea of a blueprinted society has become very popular. As Baudin puts it, the history that is evoked in *A Socialist Empire: the Incas of Peru*, which seems "so far removed from us, is in fact, our very own . . . the conflict with which it is concerned has become one of the most burning issues of the present day. The two civilizations, the two social systems whose impending clash fills us with anxiety today are the very same that confronted each other at the dawn of the sixteenth century; and under the impact of their violent collision, one of them, the empire of the Incas, collapsed."

If history repeats, the modern Inca-world, that of Soviet Russia, will not prevail against the West. But will history necessarily repeat? After all, how many of us have the will-to-prevail that animated the cavalier-soldiers of Pizarro and the Christian friars of old Castile? Though they abused it, the conquistadores had a sense of mission. But the modern West has half-way gone over to the idea that the method of the Incas — a centrally planned, centrally enforced life — is right. How much of a vital "confrontation" of "two social systems" is guaranteed by that? ◆

► **SCIENTISM AND VALUES**, edited by Helmut Schoeck and James W. Wiggins. D. Van Nostrand. 270 pp. \$6.50.

Reviewed by W. H. Peterson

ELECTION NIGHT belonged to the computers! On the basis of early returns one electronic brain foresaw a Nixon victory; on the basis of later returns another predicted a Kennedy landslide, with California a better than 300-1 shot for the then Senator. Came the dawn!

The extension of this kind of "scientific human programming," frequently computerized, gets short shrift from 12 scholars in *Scientism and Values* (Ludwig von Bertalanffy, William T. Couch, Pieter Geyl, Henry S. Kariel, Ralph W. Lewis, Murray Rothbard, Helmut Schoeck, Robert Strausz-Hupé, Eliseo Vivas, Richard M. Weaver, W. H. Werkmeister, and James W. Wiggins). These social scientists believe that the methods of the physical sciences — mathematical models, controlled experiments, laboratory techniques, and so on — are fine for the physical sciences. But when these methods are uncritically applied to the social field where human values and choices are dominant, computers become something less than perfect forecasters and such social disciplines as economics, anthropology, psychology,

sociology, political science, history, education, and ethnology become something less than accurate descriptions of man in a social environment.

To be sure, other commentators on the passing scene — Richard La Piere in *The Freudian Ethic*, Jacques Barzun in *The House of Intellect* and, earlier, F. A. Hayek in *The Counter-Revolution of Science* — have been saying pretty much the same thing. New theories of human behavior adduced from esoteric “evidence” and “experience,” garbed in the trappings of science — mathematical formulas, laboratory and field studies, reams of statistics, and the like, complete to the black-bound report — do not necessarily add up to science. They may well add up to “scientism” — a reproachful term used to tag an elaborate but quite unsupported social theory.

In particular, the authors of the book reviewed here condemn social engineering as a scientistic method leading, however inadvertently, slowly but surely, on an ultimately all or nothing basis, to a situation where individual achievement and creativity are all but smothered.

Consulting economist Murray Rothbard makes the point that the key to scientism in general and

social engineering in particular is its denial of individual consciousness and free will. He derides those who think advanced computers “think”—in a reflective way — and who view man as but some kind of “servomechanism.” Mathematician-philosopher Lord Bertrand Russell is singled out as partaking of this mentality. So are economists of the mathematical school who, overlooking or discounting the wide-open variable of free will, fall for a strict quantity theory of money or a Keynesian “consumption function” or a mathematical model predicting or advocating this or that.

James W. Wiggins, Emory University sociologist, takes many of his fellow social scientists to task for abandoning articles of faith once shared with all scientists. Among these are the use of relevant concepts, a commitment to objectivity, an avoidance of value judgments, a search for all the evidence, and a public methodology which allows fellow scientists to test conclusions through replication.

This book is not light reading. It demands reflection while it knocks insistently on the doors of entrenched dogmas and approaches to the problems of our times. ♦

WHEN a devotee of private property, free market, limited government principles states his position, he inevitably meets a barrage of —

Clichés of Socialism

Available now are suggested answers to the following:

1. *"The more complex the society, the more government control we need."*
2. *"If we had no social security, many people would go hungry."*
3. *"The government should do for the people what the people are unable to do for themselves."*
4. *"The right to strike is conceded, but. . ."*
5. *"Too much government? Just what would you cut out?"*
6. *"The size of the national debt doesn't matter because we owe it to ourselves."*
7. *"Why, you'd take us back to the horse and buggy."*
8. *"The free market ignores the poor."*
9. *"Man is born for cooperation, not for competition."*
10. *"Americans squander their incomes on themselves while public needs are neglected."*
11. *"Labor unions are too powerful today, but were useful in the past."*
12. *"We have learned to counteract and thus avoid any serious depression."*
13. *"Human rights are more important than property rights."*
14. *"Employees often lack reserves and are subject to 'exploitation' by capitalist employers."*
15. *"Competition is fine, but not at the expense of human beings."*
16. *"We're paying for it, so we might as well get our share."*
17. *"I'm a middle-of-the-roader."*
18. *"Customers ought to be protected by price controls."*
19. *"The welfare state is the best security against communism."*
20. *"Don't you want to do anything?"*
21. *"If we need big business, why don't we need big government?"*
22. *"We believe in presenting both sides."*
23. *"If free enterprise really works, why the Great Depression?"*

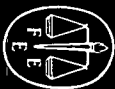
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